Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore ...... S$4.10
Canada ...... C$1.00	Japan Y160	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr.9.00	Kuwait Fils.500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon SL50.00	Switzerland SFr2.20
Finland Fmk.7.00	Luxembourg . LFr.48	Taiwan ...... NT$85
France FFr.6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes.300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong... HK$12	Netherlands.. Fl3.00	U.A.E Dh6.50
India Rup15	Norway Nkr.7.00	U.S.A $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,284 | Tuesday July 14 1987 | D 8523 A

Wall St. securities firms - too far, too fast, Page 18

World News

US escorts for Kuwait 'may start next week'

Kuwait and the US said a plan to place 11 Kuwaiti oil tankers under American naval protection was proceeding on schedule and suggested the first Kuwaiti vessel could be flying the American flag early next week.

Meanwhile France accused Iran of attacking a French container vessel with two gunboats in the northern Gulf, demanded an official explanation for what it termed a "grave affair," and said it would "exercise all its rights." Page 20

N-test talks resume

The US and the Soviet Union resumed talks in Geneva on limiting nuclear tests and possibly staging experimental explosions at each other's test sites next year.

Salvador sabotage

Sabotage attacks almost paralysed public transport in El Salvador on the first day of a ban called by left-wing guerrillas to protest against police shootings of striking hospital workers.

W. German protest

West Germany protested to South Africa over its refusal to allow a Bonn MP to enter the country to investigate charges that West German companies were helping to build South African submarines.

Seoul shuffle

South Korean President Chun Doo Hwan appointed a new prime minister and seven cabinet ministers, all members of the ruling Democratic Justice Party. Page 4

Soviets in Israel

The first official Soviet delegation to visit Israel in 20 years slipped into the country incognito on the same flight as a Soviet Jewish dissident who was mobbed on arrival. Page 4

Sri Lanka clashes

Troop reinforcements were sent to Vadamarachchi, northern Sri Lanka, after 22 rebels and soldiers were killed in clashes between Tamil separatists and security forces.

Philippines plot

Three military officers were being questioned about a plot to overthrow President Corazon Aquino and restore Ferdinand Marcos to power. Page 4

AIDS-test demo

Police in New Delhi arrested 70 African students protesting against "discrimination against blacks" in compulsory AIDS tests for foreign students.

Cycle race alert

French police tightened security around Tour de France cyclists after indications that Basque gerrillas were planning an attack on the race during stages in south-west France.

Irangate statement

The White house firmly rejected suggestions that President Ronald Reagan had been briefed last year on plans to use profits from Iranian arms sales for covert operations. Page 6

Bullfight outrage

A veteran Spanish bullfighter was punched by a fan, insulted by spectators and summoned before a magistrate after he refused to kill a bull at Madrid's bullring, saying the beast had poor eyesight and had been fought before, making it too dangerous.

Herbal pillow cure

A herbal pillow just invented in China and stuffed with medicines such as wild chrysanthemum may help sufferers from headaches, insomnia or high blood pressure. The China News Service said 82 per cent of 763 patients reported improvement.

Business Summary

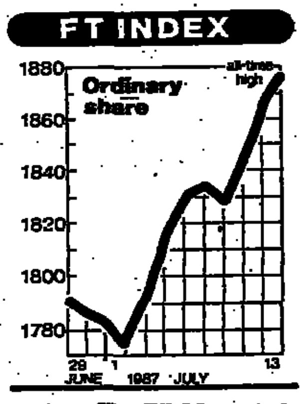
CBS to sell magazines division for $650m

CBS, US broadcasting and recording group in the throes of a deep retrenchment, is selling its magazine division to senior management for $650m in cash. Page 21

KLUWER, Dutch publisher at the centre of a hostile takeover battle, may be forced to unravel a secret 'poison pill' tactic while its white knight, publisher Wolters Samsom, must relaunch its friendly offer. Page 22

LONDON: Equities broke fresh ground again as the new two-week trading account got underway and the rapid advance of the past fortnight failed to deter investors. The FT-SE 100 index climbed through the 2,400 level for the first time before falling back to close 4.6 higher at a record 2,386.6. The FT Ordinary index was up 9 at 1,877.8, also a new peak. Gilts were quietly firm. Details, Page 40

FT INDEX



WALL STREET: The Dow Jones Industrial average closed down 3.02 at 2,452.97. Page 44

TOKYO: Trading remained thin and prices moved only slightly as the Nikkei average closed 15.02 higher at 24,118.01. Page 44

GOLD rose in London to $446.75 from $446.50. It also rose in Zurich to $447.55 from $445.45. Page 32

DOLLAR fell in London to DM 1.8425 (DM 1.8450); FFr 6.1325 (FFr 6.1475); SFr 1.5380 (SFr 1.5405), but rose to Y151.07 (Y150.65). On Bank of England figures the dollar's index was unchanged at 103.2. Page 33

STERLING rose in London to $1.6175 ($1.6140); DM 2.9800 (DM 2.9775); Y244.25 (Y243.25). It fell to FFr 9.9200 (FFr 9.9225) and SFr 2.4850 (SFr 2.4875). The pound's exchange rate index rose 0.2 to 73.1. Page 33

CHASE MANHATTAN and First Chicago both lost money in bond trading during the second quarter during one of the biggest shakeouts in the US credit markets for several years. Page 21

TRANSCO ENERGY, leading US gas pipeline company that transports nearly $4bn worth of natural gas from the Gulf of Mexico to the US eastern seaboard, has halved its quarterly dividend from 68 cents to 34 cents a share. Page 21

GEFINOR Investment, Luxembourg-based merchant banking group, has bought the Sheaffer-Eaton pens and stationery division of Textron in the US for about $135m. Page 21

NCR, major US computer and electronics group, lifted second-quarter net income to a better-than-expected $98.6m or $1.05 a share. Page 21

WHIRLPOOL, US domestic appliance group, suffered a fall in second-quarter net earnings from $52.4m or 71 cents a share to $47.4m or 65 cents, despite a slight increase in sales. Page 21

SUMITOMO Electric Industries and affiliates improved consolidated net profits to Y16.69bn ($111m) for the year to March - up 22 per cent from the previous year. Page 24

JAPAN'S LIFE Insurance Association says its 24 insurers wrote off foreign exchange losses totaling Y2,238.3bn ($14.83bn) in fiscal year to March 1987 caused by the yen's steep appreciation - up 137 per cent from the previous year. Page 24

Japanese bonds make first-day splash in London

BY ALEXANDER NICOLL, EUROMARKETS CORRESPONDENT, IN LONDON

OUTSIDE LONDON'S Royal Exchange yesterday morning, all was as serene as the City can be during rush hour. Elegant Japanese women in kimonos diffidently proffered badges to bemused passers-by.

Inside, the pandemonium was even greater than usual. JGBs had arrived.

Not a new brand of ear-splitting stereo, nor a redeveloper's drill. The London International Financial Futures Exchange (Liffe), housed under the dome of the Royal Exchange, had launched trading in Japanese Government bond futures.

It was, as they say these days, serious money. In scenes reminiscent of the London play of that name - truer to life than most of the theatre audience might believe - an astonishing Y1,000bn ($6.56bn) worth of futures contracts changed hands within half an hour.

No sooner had Mr Shiro Uramatsu, executive vice-president of the Tokyo Stock Exchange, rung the ritual bell to start proceedings than a roar went up from the trading pit. After less than five minutes, there were cheers as volume topped 1,000 contracts - each worth Y100m.

By the end of the day, 36,065 JGB contracts, worth Y3,600bn had been dealt - believed to be the most successful launch of any futures contract except the Tokyo Stock Exchange's own similar product in 1985.

Liffe officials, who had expected a first day surge, were still taken aback by the early volume. Mr Michael Jenkins, chief executive, predicted that volume would settle down to 7,000 to 8,000 contracts a day within a few months.

Much of yesterday's business was no doubt "congratulatory". For the Japanese securities houses and banks which have helped Liffe to develop the contract, it was important that it should start with a bang.

In Tokyo, their head offices and those of their investment clients were watching their price screens, and sending buy and sell orders to help volume along.

They can use the futures contract either to speculate on the volatile Tokyo bond market or to protect their bond portfolio from adverse price movements. The growth of trading in yen bonds outside Tokyo, and the volatility of prices outside Tokyo trading hours, provide the basis for Liffe's decision to trade JGBs.

Though most of the trading was driven from Tokyo - taking advantage of new permission for Japanese residents to trade on foreign futures market - it would have been impossible to tell by looking at the trading pit.

Among the teeming crowd of perhaps a hundred clamorous, arm-wheeling traders in their many-coloured jackets not a single Japanese could be seen. Liffe's 29 Japanese member firms have either hired 6ft Londoners, with the physique and voice to make themselves heard in the melee, or prefer to channel their orders through other members.

London's start of government bonds and of futures based upon them, is to be followed next year in Chicago where the Board of Trade, the world's largest futures exchange, plans to launch a yen bond contract identical to and interchangeable with Liffe's.

Shiro Uramatsu, executive vice-president of the Tokyo Stock Exchange (right) and Michael Jenkins, chief executive of Liffe, at yesterday's launch of trading in Japanese government bonds

Daimler expected to appoint Reuter as Breitschwerdt quits

BY HAIG SIMONIAN IN FRANKFURT

MR Werner Breitschwerdt, chief executive of Daimler Benz, the West German motor group which over the past two years has diversified dramatically into electronics and aerospace, is to step down prematurely, ending months of speculation about his future.

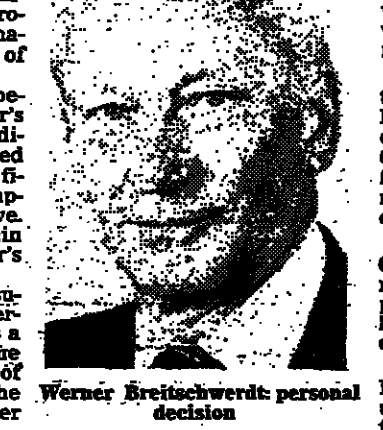
Mr Breitschwerdt, a car specialist who used to be Daimler's research and development director, is likely to be succeeded by Mr Edzard Reuter, the finance director and recently appointed deputy chief executive. Mr Reuter has been the main driving force behind Daimler's rapid expansion.

The departure, highly unusual in the smooth world of German boardroom life, suggests a change of heart by the Deutsche Bank, which owns 28 per cent of Daimler's shares and has in the past been a staunch supporter of Mr Breitschwerdt.

Mr Alfred Herrhausen, Deutsche Bank's co-speaker, is also chairman of Daimler's supervisory board. The bank is believed to have been a major behind-the-scenes influence when Mr Reuter, a member of the opposition Social Democratic Party, was passed over for the top job at Daimler in 1983.

However, Mr Reuter was promoted to deputy chief executive in March to strengthen the leadership of the group, which now includes AEG, the electronics company, Motoren und Turbinen Union (MTU), an aero engine manufacturer, and Dornier, West Germany's second biggest aircraft maker.

Recently, there has been renewed speculation about Daimler taking a stake in Messerschmitt-Boelkow-Blohm, Germany's partner in the European Airbus consortium.



Werner Breitschwerdt: personal decision

Daimler's supervisory board is holding a special meeting on July 22 which is expected to confirm Mr Reuter as Mr Breitschwerdt's successor, though when exactly Mr Breitschwerdt will hand over the reins remains unclear.

The meeting is also expected to appoint to the Daimler board Mr Helmut Werner, the present chief executive of Continental Gummi, the German tyre manufacturer. Mr Werner is widely regarded as a likely future head of Daimler.

Mr Breitschwerdt, who will be 60 on September 23, said his resignation was an "exclusively personal decision," which he hoped would be in the interests of the company.

Although his contract with Daimler was not due to expire until early 1989, he has suffered from public questioning about his qualifications to run what is now one of Germany's biggest and richest industrial companies.

Early reactions to the news in the German stock market were broadly positive. "Shareholders' concern about boardroom quarrels will now be over," said a local analyst. Daimler's share price closed DM 6.50 higher at DM 1,127.50.

Background, Page 22

EC in move to restore relations with Damascus

BY QUENTIN PEEL IN COPENHAGEN

EUROPEAN COMMUNITY governments yesterday lifted their ban on high-level contacts with Syria, in response to the expulsion from Damascus of the Abu Nidal terrorist group.

The move was made with the blessing of the UK, although Sir Geoffrey Howe, the British Foreign Secretary, insisted that UK diplomatic ties with Syria remain suspended, and no ministerial contacts are planned.

It coincided with a renewed hope - albeit very cautious - that the EC-backed Arab-Israeli peace conference might be unblocked if Mr Shimon Peres, the Israeli Prime Minister, can succeed in a new attempt to win a majority in the Israeli Knesset.

Agreement on Syria was reached at a meeting of EC foreign ministers in Copenhagen summoned to discuss the whole range of East-West relations, the Middle East and South Africa, for the first time under the legal framework of the Single European Act.

The gesture towards Syria, which was subjected last November to a range of diplomatic sanctions for alleged complicity in the attempted bombing of an Israeli airliner at London's Heathrow airport, is part of the EC's continuing efforts to promote a Middle East peace conference - in which Syria's diplomacy is seen as crucial.

However, the other sanctions, including a ban on arms sales and strict security imposed on Syrian embassies and Syrian Arab Airlines flights, remain in force. The British Government is also maintaining its veto on any EC financial aid to the country.

Sir Geoffrey said the Syrian move against Abu Nidal offices in Damascus was "welcome as far as it goes" but it was "only a limited step down the road to abandoning terrorism."

The formal conclusions of the foreign ministers actually failed to mention Syria by name, but simply referred to the 12 deciding to pursue "their contacts at all levels with all the interested parties in order to contribute to the search for a just, global and lasting settlement of the Arab-Israeli conflict." The exclusion was apparently in deference to Greece, which refused to agree to the original sanctions, and could not therefore agree to lifting one.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister currently in the chair of the EC Council of Ministers, said he would now make contact with Syria, with a view to meeting his opposite number.

He reported on his talks last week with Mr Peres, and President Hosni Mubarak of Egypt, and said that Mr Peres planned a new effort to win a majority for the peace conference in the Knesset before the end of the current parliamentary session in early August.

Cossiga's surprise choice to form Italian government

By Alan Friedman in Milan

PRESIDENT Francesco Cossiga last night surprised the Italian political world by asking an unlikely Christian Democrat - Mr Giovanni Goria, the youthful 43-year-old Treasury Minister - to form a new government. If he succeeds, then the bearded and charismatic Mr Goria will become Italy's youngest-ever prime minister.

The choice of Mr Goria, whose only cabinet post has been as Treasury Minister since December 1982, comes in the wake of violent opposition from the Socialist Party of Mr Bettino Craxi to the naming of Mr Ciriaco De Mita, Christian Democrat leader, as prime minister designate.

Mr Craxi, who stepped down as prime minister 18 weeks ago, is evidently still able to call a number of the shots in Rome. The Socialist leader had his hand strengthened in last month's general election when his party advanced from 11.4 to 14.3 per cent of the national vote while the Christian Democrats gained only modestly to reach 34.3 per cent of the vote.

Mr Goria, whose movie star looks belie a detailed knowledge of banking and international finance, was last night described by an aide to President Cossiga as a compromise candidate. His selection was designed to ensure that, given the state of confrontation between Socialists and Christian Democrats, "there at least is someone who can get the various parties to sit together around a table".

The designation of Mr Goria was nonetheless being seen in Rome last night as a clear sign that Italy is headed for more political instability after the summer months.

It had been widely expected that in the event of Mr De Mita not being asked to form a government the mandate would be given to an experienced Christian Democrat warhorse such as Foreign Minister Giulio Andreotti or former deputy premier Arnaldo Forlani. But President Cossiga obviously wished to avoid further political conflict by naming a compromise choice who is also the man best prepared to steer the government through its most urgent business, the presentation in September of the 1988 budget.

The betting, however, is that the Piedmontese-born Mr Goria (he was born in the town of Asti, which is best known for Spumante) is unlikely to last long as premier, assuming he manages to cobble together a coalition in the next few weeks. Mr Goria's experience at the Treasury has enabled him to develop a personal rapport with the world's leading central bank governors and finance ministers.

Anglo-Italian talks could lead to joint polyethylene venture

BY ALAN FRIEDMAN IN MILAN AND MAX WILKINSON IN LONDON

ENICHEM, the Italian state-owned chemicals group, and British Petroleum (BP), have been negotiating a possible joint venture which could lead to an important rationalisation of Europe's polyethylene production.

Enichem and BP are the two largest producers of polyethylene in Europe with a combined output of 1.4m tonnes a year, nearly a quarter of total production in Europe. A joint venture in polyethylene would have sales of around $1bn a year.

An Enichem-BP polyethylene agreement might be modelled on the unusual merger earlier this year, in which Enichem and Britain's Imperial Chemical Industries pooled their loss-making polyvinyl chloride (PVC) and vinyl chloride monomer (VCM) operations in Europe.

The Enichem-BP talks, which have been underway for several months, have already resulted in general agreement between the two companies on technical matters. However, the negotiations are being held up by difficulties in the long-running talks between Enichem and the Milan-based Montedison chemicals concern on joint ventures designed to restructure the Italian chemicals sector.

Professor Franco Reviglio, chairman of the ENI state holding company which controls Enichem, expressed frustration last week and demanded that Montedison respond to Rome's proposals. Prof Reviglio, in his first public acknowledgement of talks with BP, told Montedison that "our patience is not infinite because the (domestic) joint ventures with Montedison are also linked to international agreements such as one which is being defined in the polyethylene field with British Petroleum."

Enichem's loss-making polyethylene operations last year had total revenues of L700bn ($525m). About 400 workers are employed at four Italian plants located at Brindisi in the Puglia region, Ferrara in Emilia Romagna, and at Ragusa and Gela in Sicily.

Enichem, with annual output of 800,000 tonnes of polyethylene is slightly larger than BP in this sector. The British company's 600,000 tonnes a year of polyethylene production is one of the three major parts of BP Chemicals, which last year made profits of £198m ($318m) on sales of £1.78bn.

Yesterday, BP Chemicals confirmed that talks had taken place with the Italian company, although it said the talks had ceased. The indications from Italy, not denied by BP, are that the talks might be resumed again before long.

The Montedison-Enichem talks stemmed from an offer last November by ENI, under which the state group proposed a series of joint ventures aimed at eliminating domestic duplication in chemicals sectors such as elastomers, synthetic fibres, fertilisers and detergents.

Last November's initiative was answered in April when Montedison proposed buying Enichem for about L1,500bn. In May, however, ENI said that Enichem was not for sale and insisted instead on joint venture negotiations with Montedison.

CONTENTS

BUSINESS TAKES OVER AT THE PENTAGON

US defence industry aims to please the taxpayer, Page 6

DOUBTS OVER SUBSIDIES

Soviet prices chief calls for overhaul

BY PATRICK COCKBURN IN MOSCOW

MR Valentin Pavlov, chairman of the Soviet state committee for prices, has said that the entire price system in the Soviet Union needs to be changed as soon as possible.

As the man in control of the Soviet pricing system, Mr Pavlov's views are important; Soviet economists see a change in the method of determining prices away from orders from above towards greater influence by the market as critical to the introduction of successful economic reforms.

A year ago, Mr Pavlov replaced Mr Nikolai Glushkov, his highly conservative predecessor who had headed the state committee for prices for 11 years. Up to now he has been extremely reticent about changes but in a long interview entitled "overhauling the entire system of prices" recently published by the Soviet news agency Novosti, Mr Pavlov is strongly critical of the present pricing system.

Speaking of price formation, Mr Pavlov says: "We have long been pursuing a policy, not of price stability, but of price stagnation. As a result prices play little role in creating balance between supply and demand leading to continual shortages both for retail and wholesale goods."

Unsound

Heavy state subsidies at various stages between production and consumption also lead to goods being underpriced given the level of demand. Mr Pavlov gives as an example a subsidy of 2.5bn roubles (£2.5bn) for mineral fertilisers sold to farms and another subsidy of 3bn roubles (£3bn) for agricultural machinery.

"Since we use such economically unsound prices, farm products are sold to the consumer much cheaper than their actual production cost," says Mr Pavlov. Subsidies for food in 1987 amounted to 58bn roubles.

A chart in the pamphlet says that Soviet rents have not changed since 1928, utility rates for electricity and gas since 1946, prices for bread, sugar and eggs since 1954 and for meat, butter, cheese and milk since 1962.

Although the Government is evidently eager to raise the price of these basics it is concerned by the political impact of an increase in the cost of living.

Personal savings in the banks have risen to 270bn roubles in 1986 compared with 47bn in 1970 — an increase partly attributable to lack of items for sale. But a general price rise would hit the poorly paid — notably some 50m Soviet pensioners — and Mr Pavlov says the Government cannot raise prices without tackling the issue of pay.

Demand

He points out that five-year plans since 1976 have raised wages, pensions and cash benefits according to plan targets but proposals to produce goods sufficient to meet the consequent increase in demand have not been met.

The result is "a specific kind of inflation, because an ever increasing number of goods were in short supply and unobtainable." The state also had to increase the prices of other goods regarded as luxuries to pay for the subsidies on basics. As a result cars cost 2,500 to 3,000 roubles to make but sell at between 8,000 and 9,000 roubles.

Mr Pavlov says that it is doubtful, however, if goods such as cars, of which there are 15m on the roads, can really be classed as luxuries. He also notes that furs are considered a luxury and priced accordingly but "tell anyone in January when tempretures in Moscow can fall below 30 degrees centigrade that a fur coat or a fur hat is not an essential item."

Mr Pavlov does not say — and the Government has not decided — when price reform will be introduced but Soviet and foreign economists believe it will take between two and three years. When it does come it is likely to be the key test for economic change.

Early shift to rouble convertibility unlikely

By Patrick Cockburn

The Soviet Union is very unlikely to shift towards making the rouble convertible with Western hard currencies in the foreseeable future, said diplomats in Moscow yesterday.

Commenting on Western press reports about convertibility they said that the Soviet Union had pressed its East European and other allies grouped in the Council For Mutual Economic Assistance to accept convertibility between their soft currencies at a summit last November but had received no support.

A working party of CMEA members is examining the issue of convertibility and is to report to the next CMEA council meeting but it is unlikely that the Soviet Union will attain all its objectives.

Over the past two years Moscow has tried to increase its trade with its East European allies and to increase co-ordination of production and development. Making the rouble convertible with East European currencies would make trade easier.

Under a comprehensive programme for CMEA adopted in 1985 the Soviet Union is committed to continuing its supplies of oil, gas and electricity to its allies but wants better quality manufactures and machinery in return. It also wants individual East European countries to specialise — possibly through joint ventures—in different products which Moscow needs to import.

Some 500 individual Soviet enterprises now have the right to trade directly with Eastern Europe and a convertible currency would make it easier for them to carry out their business.

Difficulties in economic coordination, including the introduction of rouble convertibility, between the Soviet Union and the other CMEA countries stem partly from the East European desire not to become more reliant on Moscow. They also wish to sell their best products for hard currency in Western markets while continuing to obtain raw materials from the Soviet Union at prices often below the world market.

Diana Smith assesses the election chances of two party leaders

Uneven battle for Portuguese votes

ANIBAL Cavaco Silva and Vitor Constancio have such similar backgrounds, educational records and career routes that it is tempting to say that the only difference between the two prominent Portuguese economists-turned-politician is that one is tall, the other not.

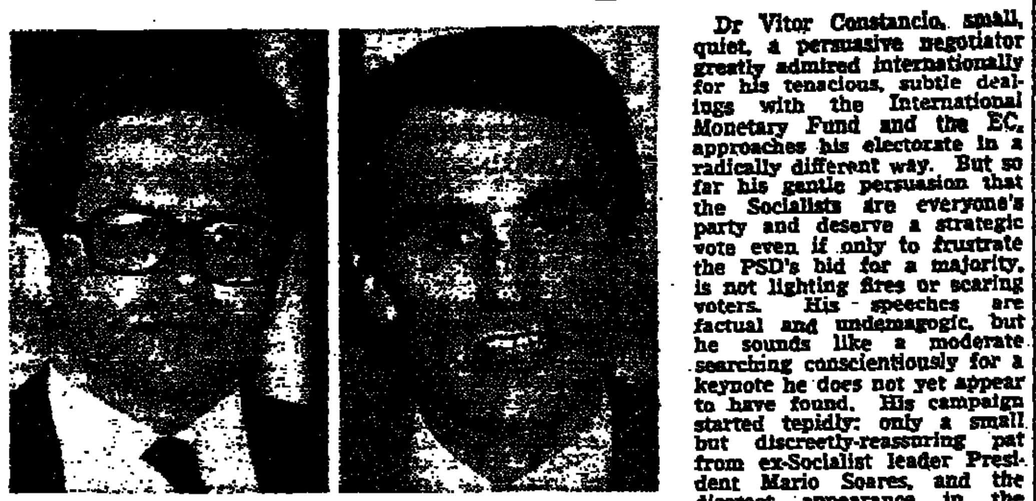
Both men are in their forties. Both came from modest families and studied their way up the academic ladder to degrees in economics in Lisbon and post-graduate work in the United Kingdom. Prof Cavaco Silva was at York University, Dr Constancio at Leeds, both roughly at the same time.

Both have been finance minister — Dr Constancio in 1978, Prof Cavaco Silva in 1979-80. Both have been officials of the Bank of Portugal for years, in the research and/or planning departments of the central bank.

But here the differences begin. Dr Constancio has been governor twice of the Bank of Portugal, in 1977-78 and 1985-86. Prof Cavaco Silva has been Prime Minister since October, 1985.

The parties the two head have similar names: Prof Cavaco Silva the Social Democrats (PSD), Dr Constancio the Socialists (PS), but there the similarity ends. The PSD (originally and more accurately baptised Popular Democratic Party) ranges from centre to conservative, the PS from social democrat Nordic-style to social democrat-verging-on-radical.

Prof Cavaco Silva hopes to repeat his prime ministerial performance, with a revised script and cast of his choice, after the July 19 general election.



Vitor Constancio (left): challenging Anibal Cavaco Silva for the prime ministership.

Dr Constancio has a similar ambition. But at the moment the polls offer Prof Cavaco Silva 39-46 per cent and Dr Constancio 22-28 per cent. Whether the PSD will win the 43 per cent it needs to free it from a lopsided coalition with the dwindling Christian Democrats (CDS) depends on how well Prof Cavaco Silva can woo enough of the electorate to give him 126 seats in parliament.

The most radical distance between the two men lies in style rather than content, since politically they have much common ground: a firm commitment to the European Community, a belief in streamlined management of the financial system and public sector, efficient financial markets and a less heavy handed central bank. But the difference is highly visible in this final week of campaign.

Prof Cavaco Silva, tall and gaunt, tough-talking and so prone to self-congratulation that his detractors often call him and his government arrogant, has reorganised a PSD that was in rebellious chaos before he took it over in mid-1985 and asserted Portugal's interests in the European Community. The technocrat from the Algarve has learned how to look more relaxed but still tends to speak stiffly. This, his admirers say, is not arrogance but painful timidity.

Whether shy or haughty, Prof Cavaco Silva has had no compunction in this campaign about assuring the Portuguese that if they do not give his PSD a majority they can expect hard times—political and economic impasse, financial instability and national gloom.

Dr Vitor Constancio, small, quiet, a persuasive negotiator greatly admired internationally for his tenacious, subtle dealings with the International Monetary Fund and the EC, approaches his electorate in a radically different way. But so far his gentle persuasion that the Socialists are everyone's party and deserve a strategic vote even if only to frustrate the PSD's bid for a majority, is not lighting fires or scaring voters. His speeches are factual and undemagogic, but he sounds like a moderate searching conscientiously for a keynote he does not yet appear to have found. His campaign started tepidly: only a small but discreetly-reassuring pat from ex-Socialist leader President Mario Soares, and the discreet appearance in the background of members of the Soares clan, has dissipated some of the muddle and given more slickness of approach for the run-up to July 19.

But it is symptomatic that, while he did all he could to stress severance from his former leader, Dr Constancio in the event had to tiptoe into the outer fringe of President Soares' limelight.

The problem for Dr Constancio is that everyone can see what the new PSD is—a body kept under tight rein by its stern leader who has made several heads roll inside the party so as to impose order.

Dr Constancio wants the PS to swell until it can occupy as much space to the left of centre as the PSD occupies to the right. A serious man with a strongly-supportive wife and family, he is fighting an uneven battle with the steamroller Cavaco style which leaves little room for quiet, conscientious rivals.

Albania presses on with pay incentives

By Judy Dempsey in Vienna

ALBANIAN authorities are pressing ahead with the introduction of income differentials among certain groups of workers as a means of providing incentives. The measures are part of a cautious policy by Mr Ramiz Alia, the Albanian party leader who in recent months has been critical of the performance of the economy, to make economy more efficient.

The new measures, which were spelt out in the party's theoretical monthly magazine, stipulate that material incentives and fixed bonuses will be given to those workers' collectives and individuals who exceed the plan and "especially for those who create inventions, rationalise, or achieve tangible gains for the economy." The article said that the new bonuses and incentive schemes would be taken from a special fund.

At the moment, most Albanian enterprises have a fund which looks after the social interests of the workers, providing them with excursions, short holidays and other forms of entertainment. It has been decided that the funds in the enterprises should not only be doubled but that their scope should be redefined.

Instead of focusing exclusively on social aspects, the fund must provide "incentives" and to "reward highly outstanding workers and employees in the enforcement of discipline in labour, production and technology."

Hungarian workers urged to show job flexibility

BY LESLIE COLITT IN BERLIN

HUNGARY'S senior economics officials said Hungarians must learn to change jobs "three or even four times" in their working life as the result of new economic reforms expected to close down many loss-making companies.

Mr Miklos Nemeth, the Communist Party's newly-appointed central committee secretary for economic policy, said "effective employment" is to be given greater emphasis although full employment remains a "basic principle."

Company managers, Mr Nemeth said, should have the right to give notice to "those who work badly." The jobless, he said, would get new employment through labour exchanges, public welfare jobs and retraining.

Reforms announced earlier this month by the party stipulate that susbidies are to be more "forcefully" reduced to loss-making companies, which are to be closed down if they cannot be made profitable.

Mr Nemeth said the Government had paid the "horribly large sum" of 50bn forints (more than $1bn) to subsidise inefficient producers in the past 18 months.

Mr Nemeth said the aim would be to create a regulated market which eliminated harmful monopolies and fostered competition among industrial processes, in services, agriculture and food processing.

Mr Nemeth claimed the future strategic role of central planning would not weaken but strengthen the responsibilities of planners and government bodies. He said there had been a rethinking of the Communist Party's leading role and of the division of labour between the party and government "amidst new conditions." This would be reflected in the reform programmes to be presented in the autumn.

A Hungarian official said the Government sought to reduce the rate of increase in the foreign debt—expected to reach up to $8.5bn this year—and then halt its rise by the end of the decade.

FINANCIAL TIMES

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EC demands progress by Moscow on human rights

BY QUENTIN PEEL IN COPENHAGEN

EUROPEAN COMMUNITY foreign ministers yesterday called on Mr Mikhail Gorbachev, the Soviet leader, to prove the substance of his reforms with "concrete deeds" on human rights at the Vienna conference on security and co-operation in Europe.

They expressed a growing mood of optimism about the reforms launched in the Soviet Union, and about the prospects for an agreement on the removal of intermediate-range nuclear missiles (INF) from Europe — but tempered their enthusiasm with the demand for more proof of action.

A broad-ranging debate on the state of East-West relations, and the meaning of the Gorbachev plans for economic and political reforms, dominated the foreign ministers' six-monthly debate on political aspects of foreign policy, held in Copenhagen under Danish chairmanship.

The 12 ministers concluded that the prospects for an INF agreement remained good, in spite of disagreements between the US and Soviet Union on the maintenance of 100 missiles in Asia, and the inclusion or exclusion of 72 West German Pershing 1A missiles in the final deal.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, gave what was described as "a very positive assessment" of the value of the recent visit to Moscow by Mr Richard von Weizsaecker, the West German President. He told his colleagues it was "obvious that the Soviet Union wanted results from the arms talks in Geneva," according to Mr Uffe Ellemann-Jensen, the Danish Foreign Minister who chaired the talks.

Sir Geoffrey Howe, the British Foreign Secretary, said the public pressures were bound to increase as the INF talks and security conference came to a head. "The West must not allow itself to be blown off course by rude noises from the Soviet propaganda bull-horn," he said. "The fact of the matter is that if the West holds steady, the end of the year could see both an INF agreement and the door opened to new sets of talks on strengthening security and reducing conventional weapons in Europe."

Even Sir Geoffrey expressed the view that Mr Gorbachev had launched "a far-reaching agenda of reform" at the recent Soviet central committee plenum which "almost certainly foreshadows a period of some turbulence in the Soviet Union."

A major concern expressed by many of the ministers was the need for Western Europe to have a clear and concerted political response to the reforms being initiated in Moscow. One proposal already suggested to the Soviet government is for the 12 EC ambassadors to hold regular meetings with Mr Eduard Shevardnadze, the Soviet Foreign Minister, to reinforce the dialogue.

The 12 are open to the possibilities presented by recent developments in Soviet policy, they concluded. However, "they insist on the need for significant and lasting progress to be achieved in all fields and in particular as regards respect for human rights and fundamental freedoms."

Surprise choice as Italian Premier

By Alan Friedman in Milan

PRESIDENT Francesco Cossiga last night surprised the Italian political world by asking an unlikely Christian Democrat—Mr Giovanni Goria, the 43-year-old Treasury Minister, to form a government.

The choice of Mr Goria, whose only Cabinet post has been as Treasury Minister since December 1982, comes in the wake of violent opposition by the Socialist Party of Mr Bettino Craxi to the naming of Mr Ciriaco De Mita, Christian Democrat party leader, as Prime Minister-designate.

The naming of the bearded and charismatic Mr Goria as premier-designate, was seen in Rome last night as a clear sign that Italy is headed for more political instability after the summer months. Mr Goria is at best a compromise candidate.

It was widely expected that should Mr De Mita not be asked to form a government the mandate would be given to an experienced Christian Democrat such as Foreign Minister Giulio Andreotti or former deputy premier Arnaldo Forlani.

Extremists embarrass French right

BY GEORGE GRAHAM IN PARIS

Jacques Chirac: difficult time

FRANCE's right-wing majority parties have been forced again to confront their relationship with the extreme right-wing National Front, only two months after narrowly averting a dangerous split in the government over the issue.

Party leaders are due to consider tomorrow what to do about Mr Herve Fontmichel, the Republican mayor of Grasse, the world's perfume capital, who formed an alliance with the National Front party of Mr Jean-Marie Le Pen in order to win re-election on Sunday.

Mr Fontmichel defeated his Communist rival thanks to the National Front votes, but in the second round of the two-stage election the left-wing parties gained ground at his expense. The Grasse election has reawakened the fears of supporters of Mr Michel Noir, the Foreign Trade Minister who two months ago came close to resigning from the Government after he was rebuked for writing that he would prefer to lose the next national elections rather than to make a pact with the National Front.

At the same time, the majority parties have been embarrassed by the widely-publicised return from South Africa of nine right-wing members of parliament, three of them members of the National Front, who have been convinced by their short visit that apartheid no longer exists. The nine have been attacked from all sides for their comments, although from the right the tone has been less one of outrage than of amazement that the six members of the RPR and UDF parties which make up the ruling majority should have been so naive.

"Only a few months away from next year's elections, they have taken the risk of opening up a controversy which can only play the game of the left and which the presidential candidates of the right could well have done without," said the pro-government newspaper Le Quotidien de Paris. The problems arise at a difficult time for Mr Jacques Chirac, the RPR Prime Minister, whose chances in next year's presidential election could be endangered if he loses voters to the National Front.

The extreme right-wing party of Mr Le Pen is currently scoring around 13 per cent of the votes in opinion polls and nearly double that in some of France's southern regions. Mr Chirac's rating has slumped over the past two months, according to an Ipsos opinion poll published yesterday and stands even lower than it did last winter during the student riots and public transport strikes. President Francois Mitterrand, in contrast, has gained ground in the polls by adopting the image of a father of a nation.

RPR ministers are concerned that Mr Mitterrand will win the presidential election next spring by presenting himself as candidate of the centre, not of the left. Some ministers believe that enough of their current supporters would desert them in the event of a Mitterrand victory next year to enable him to reverse the 1986 electoral law and restore proportional representation.

Nappy maker cries foul over rival's advert

BY GEORGE GRAHAM

BEHIND a facade of smiling faces and rosy baby bottoms, it is war to the knife in the world of the nappy.

The hidden struggle to produce the ultimate in disposable nappies, the nappy that mops up the drops and keeps your baby dry, has broken out into undisguised warfare in France, and the leading competitors are slugging it out in the law courts.

War was declared by Peaudouce, the market leader with an estimated 25 per cent of the 2.7bn nappies sold in France every year.

Peaudouce, now part of the Financiere Agache textiles group that includes the Christian Dior fashion house as well as the Conforama furniture store chain, has filed a suit against Procter and Gamble, its main rival with the Pampers brand, for misleading advertising.

The Pampers lawsuit looks likely to prove one of the most absorbing cases to come before a French court in many years.

At issue is the television and magazine advertising campaign for the new Ultra-Pampers brand, launched in April. "Revolutionary," proclaims the slogan. "Even when they're wet they're dry."

For proof, Proctor and Gamble pours a beaker of water onto an Ultra-Pamper and onto another brand of nappy. When the two are wrung out, a shower of drops flies from the "other brand," but nothing comes from the Pamper, thanks to its moisture-retaining "mini-captors."

Nonsense, retorts Peaudouce, the test only works if you use demineralised water. "With baby's urine, it is a quite different story."

Peaudouce has not limited its wrath to Pampers, which now has an estimated 15 per cent market thanks in part to its effective advertising campaigns. It has also attacked the growing competition from retailers' own brands by filing a suit against the Carrefour supermarket group.

Mr Pierre Gode, Agache's legal counsellor, claims that Carrefour's own-brand disposable nappies, which it imports from Japan, have copied the patented four-way elastic fastening on Peaudouce's top of the range Ultra-Absorbant brand.

Carrefour hopes to counter the suit by proving that Peaudouce's patents are worthless and that its Japanese nappies are not a copy of a French original.

In financial terms, the stakes are large. French babies are voracious nappy consumers, getting through an average of 3,800 nappies each during their infancy, but the market is not expanding fast.

There were 778,000 births in France last year, a slight increase from 1985

With more watertight nappies reducing the number of changes needed in a day, the only way of increasing sales significantly is at the expense of rival brands.

UK in chemical weapons move

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN will today make detailed proposals for the establishment of an international organisation which would verify a chemical weapons ban and supervise the phased destruction of these weapons over a 10-year period.

Mr David Mellor, Minister of State at the Foreign Office, who is due to table the proposals at the 40-nation disarmament conference in Geneva, said yesterday that they were aimed at making sure that nations' claims about their stocks and destruction of chemical weapons were true.

"At the moment, we have a position not just on chemical weaponry, but also on conventional arms where the Soviet Union is very reluctant to say exactly what they have got," Mr Mellor said in a radio interview.

"We want people to say exactly what they have got, we then want to see an organisation established, an international organisation, which would have the capability not only to verify, but also to deal with the phased destruction of all of these weapons."

Referring to the recent announcement by the US that it would resume the production of chemical weapons, which was halted in 1969, Mr Mellor said this decision had been taken because of frustration that the unilateral gesture by the US and Britain to stop the manufacture of these weapons had not been reciprocated by the Soviet Union.

"They, too, have now stopped making chemical weapons, but we think they have got masses of them."

So far, there is general agreement between the participants of the disarmament conference that there should be a total, world-wide ban on the development, production, acquisition, stockpiling and transfer of chemical weapons. The Soviet Union and the western nations, however, still disagree over the crucial issue of challenge inspections and the declaration of chemical arms stockpiles and manufacturing facilities.

Drop in Sweden's payments surplus

Sweden's balance of payments current account weakened in the first quarter of this year, writes Kevin Done, Nordic Correspondent in Stockholm.

The surplus fell to SKr 800m from SKr 1.7bn in the first three months of 1986, according to the Riksbank, the Swedish central bank.

The deterioration was caused by the decline in the trade surplus to Skr 6.7bn from Skr 8.7bn a year earlier.

Imports rose faster than exports as a result of a strong increase in private consumption and industrial investment.

SPD accuses Bonn of risking coal jobs

BY DAVID MARSH IN BONN

WEST GERMANY'S Opposition Social Democratic Party (SPD), yesterday joined a controversy over the country's energy policy by accusing the Government of putting 100,000 coal jobs at risk over the next few years.

Mr Volcker Hauff, the SPD's main spokesman on the environment and energy, said the centre-right coalition was following a "hectic, short-sighted" policy of cutting back dependence on coal. This ignored the likelihood that oil prices would rise again in the 1990s, returning West Germany's at present hugely unprofitable coalmines to competitiveness, he said.

Mr Hauff, a former Technology Minister responsible for atomic research in the previous government of Mr Helmut Schmidt, is a key figure behind the SPD's policy aiming for a 10-year phasing out of nuclear energy in the Federal Republic.

He said the Government was intent on bringing on stream a further 5,000 MW of nuclear power capacity by 1990 in spite of the existing surplus in electricity generating capacity.

He claimed that this, together with reduced demand from the steel industry, and falling exports, would reduce total West German coal sales to 55m tonnes by 1995 from 78m tonnes last year and 73m this year.

Anthracite consumption by power stations would fall to 35m tonnes a year from 1990 he predicted. The Government was negotiating the break-up of the agreement with electricity producers which is meant to maintain use of coal in power stations at around 40m tonnes up to 1995, he claimed.

This would entail the loss of 50,000 jobs among the country's 160,000 coalminers. Including jobs which depended directly on the coalminers in hard-hit areas of the Ruhr and the Saar, a total of more than 100,000 coal-related jobs was at risk, he said.

Greek threat to cancel visit by US official

By Andriana Ierodiaconou in Athens

THE GREEK Government has ruled against a visit to Athens by Mr Michael Armacost, US Under-Secretary of State for political affairs, who will be in the region later this week, unless Washington retracts recent allegations of Greek contacts with Middle East terrorist groups.

The Armacost visit is the latest casualty of the crisis which erupted between Washington and Athens at the end of June after an American claim that Dr Andreas Papanreou's Socialist government had contacts with the Abu Nidal terrorist group.

The Greek government subsequently froze the start of talks with the US on the future of the US military bases in Greece beyond the end of 1988.

French and Norwegians to step up military links

BY KAREN FOSSLI IN OSLO

NORWAY and France have agreed to broaden their defence co-operation.

This has been agreed by Mr Johan Joergan Holst, the Norwegian Defence Minister, and Mr André Girauld, his French counterpart, the Defence Ministry in Oslo confirmed.

The ministers agreed to extend their countries' co-operation in the "miliary field and in the field of armaments." Later, the ministry said, "it could not be excluded that French troops could participate in Norwegian military manoeuvres."

Although the agremeent was described as a "political approach," Norway has several reasons for strengthening its military ties with France.

Canada's withdrawal of commitment to support Norway with the Canadian brigade has forced it to seek other options. "They do not queue up to offer troops to reinforce Norway," the minister said.

Norway is also seeking to develop its basis of military contact with other European countries so as not to be so dependent on the Atlantic partnership co-operation with the US in the military and armaments fields.

Norway is also to expand its bilateral trade agreement with France, conditional on French government ratification of the giant Norwagian Troll gas sales deal made last year.

"France is a very technologically advanced country and there is every reason to look into what one needs on the Norwegian side which might be met by French products or even by French-Norwagian armaments co-operation," the ministry said.

OVERSEAS NEWS

S Korean President brings in neutral Cabinet for elections

BY MAGGIE FORD IN SEOUL

SOUTH KOREA'S President Chun Doo Hwan yesterday replaced seven Cabinet Ministers and the Prime Minister, all members of the ruling Democratic Justice Party, in advance of elections to be held later this year.

The move is designed to produce a neutral Cabinet without party affiliation and is expected to be followed shortly by major changes in the ruling party as it prepares for the democratic changes promised by Mr Roh Tae Woo, its leader, last month.

The new Prime Minister, Mr Kim Chung Yul, 69, is an elder statesman with a distinguished political and diplomatic career stretching back to the 1950s, when he was chief of staff of the air force.

He replaces Mr Lee Hah Key, appointed only six weeks ago in the reshuffle forced by allegations of a cover-up of the investigation into the torture of a student by police.

Since then South Korea has been engulfed in nationwide demonstrations culminating in Mr Roh's promise that the Government would give in to public demands for democratic change.

Other ministers who resigned yesterday include those responsible for Interior, Defence, Education, Communications, Sport, Science and Political Affairs. Mr Rha Woong Bae, the Minister for Trade and Industry, is to remain in his post but will resign from his position in the ruling party.

Mr Lee Ki Baek, the respected former Defence Minister who almost died in the Rangoon terrorist bombing in 1983, is to be replaced at the key ministry by Mr Chung In Yong.

Mr Chung, a former general who helped bring President Chun to power in a military coup in 1979, was recently Minister of the Interior until forced to resign over the torture cover-up. He is viewed as *being one of those responsible* for the killing of hundreds of people during an uprising in the provincial city of Kwangju after the military coup. Opposition leaders including Mr Kim Dae Jung and Mr Kim Young Sam have argued that a truly representative pan-national Cabinet should be appointed until after the election is held, to guarantee its fairness.

They are also concerned about the problem of Kwangju. Fear of revenge among those blamed for the killings may be an obstacle in the transfer of power *if* the opposition wins the election, they believe.

A news conference held by Mr Kim Young Sam yesterday was disrupted briefly by a number of workers, students and families of prisoners demanding help in getting the Government to be more lenient towards those still in jail for political crimes.

Hawke begins selection of new cabinet

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN dollar strengthened and the *domestic stock* market rose as financial markets reacted positively yesterday to the return of the Labor Government in Saturday's election.

Mr Bob Hawke, the Prime Minister, began discussing the composition of his new cabinet with the Labor caucus, but the sense of harmony was marred when Mr Barry Cohen, who may lose his job as Environment Minister, protested publicly at the "terrorism" of the wheeling-and-dealing faction chiefs.

Even tougher battles are certain in the opposition Liberal Party, with the stage set for Mr John Howard *to fight a challenge to his lead*ership from Mr Andrew Peacock, the man he replaced in 1985. Another contest is certain for the deputy leadership.

Mr Howard met his old rival yesterday for the first time since before election day and said afterwards he expected Mr Peacock to challenge him. "I will beat him," Mr Howard said, adding that he would then expect complete loyalty.

The manoeuvring and lobbying within both parties will continue for several days until all election results are in. Decisions are only likely at the end of this week or early next week.

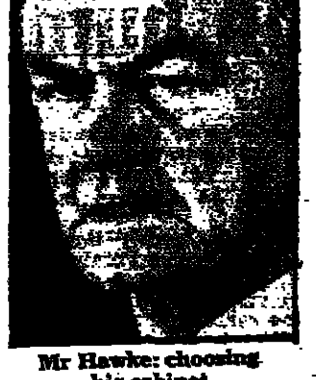
With counting still going on in seven still-undecided constituencies, the size of Labor's majority over the opposition Liberal and National parties remains unsettled. The precise magnitude of the final swing against Labor was also unclear last night.

On the foreign exchange markets, the Australian dollar was marked up one cent against the US dollar when trading began in New Zealand. But it had eased back by the opening of Sydney trading and finished steady at 71.25 US cents.

On the more important trade weighted basis, the currency firmed to 56.5 from 56.1 on Friday. In the domestic money markets, 90-day bank bill rates eased back to 13.3 per cent.

On the Australian stock exchange the widely watched All-Ordinaries Index, covering 280 companies across all sectors, continued its pre-election climb and reached its 46th record this year to close at 1930.7, up 14.6 points.

Immediate attention is now focused on the figure for the June balance of payments, to be published on Wednesday.



Mr Hawke: choosing his cabinet

Tony Walker meets the president of the African Development Bank

ADB sets its sights on a global debt solution

"THE AFRICAN debt problem is like AIDS," declared Mr Babacar N'Diaye, President of the African Development Bank, "it requires a global solution."

Mr N'Diaye's vivid description of the financial difficulties in which African countries find themselves reflects a level of *despair among responsible* figures in the world's poorest continent at the dimensions of the problem.

The recent Venice summit of the wealthiest industrialised nations considered several *approaches to the $175bn* African debt crisis, including a proposal by the International Monetary Fund that it should sharply increase its subsidised lending to impoverished states in Africa.

But no quick resolution of the problem is in prospect that would on one hand ease the repayments burden on African states and on the other make available capital for new investment. A meeting in June in Cairo of the African Development Bank was dominated by concerns about the debt crisis.

Virtually every speaker referred to the problem. Egypt's President Hosni Mubarak noted that Africa's debt had risen by one-third in four years and that repayments accounted for about half the continent's revenues from commodity exports and services.

Mr N'Diaye, who was elected ADB President in 1985, believes that the African debt problem is incapable of quick solution. "Because of the way the crisis is going, it is impossible if you want to be serious to look at short-term or medium-term type of intervention," he said in an interview. "Measures have to go beyond five years or 10 years or even 15 years to make an impact."

He says the ADB has a role to play in helping African countries restructure their economies to improve their capacity to repay loans, but that ultimately there must be an international programme supported by the richer countries to assist Africa our of its difficulties.

The ADB at its recent Cairo meeting of more than 70 regional and non regional members approved a three-fold capital increase to $19.8bn which will enable the bank to lend between $5bn to $6bn in the next five years. This is roughly equivalent to all funds lent since it was established in 1964.

Mr N'Diaye, a French-educated Senegalese, believes that new and creative approaches must be tried if Africa's economic crisis is to be overcome. The success of Africa's attempts to help itself will depend as much on *individual governments as* on the support of the industrialised world.

Among economic initiatives the bank will seek to promote is increased encouragement to the private sector, which has tended to be neglected in the development process in the post-colonial era. "We have done our own analysis of the situation," Mr N'Diaye said. "Today in every country in Africa, the private sector exists and the potential exists."

Babacar N'Diaye: no quick resolution

The ADB has formed an expert group that will travel to *various developed and de*veloping countries seeking ideas on how to give the private sector a push. Allied with efforts to encourage the private sector was a proposal to establish an export-import bank to help finance exports and imports of raw materials and spare parts essential for production.

"We know," he said, "that trade is one of the essential solutions in the process of development to solve the debt problem. We are considering ways in which to increase trade flows among African countries, and also to see how we can help African countries export which will generate hard currency."

Mr N'Diaye said that one of *the most important* tasks of indebted African states was to diversify their economies away from dependence on one or two commodities that were extremely vulnerable to market fluctuations. The Economic Commission for Africa has reported that African commodities sales slumped 30 per cent last year to $45bn and that prospects are not much better this year.

The ADB President believes that it is important for African officials to analyse various proposals to solve the debt crisis, hence *his support for a* debt conference attended by regional representatives.

One of Mr N'Diaye's ideas is that exporters to Africa be encouraged to invest some of the proceeds with their clients *in order to* "*create larger* wealth in the sector of utilisation," thereby assisting the sector to meet its debt repayments.

Another proposal is for African commodity producers to process crops to "have more added value and lessen the debt problem." The more the better, he says.

Mr N'Diaye is reluctant to lay the blame for the African debt crisis at the door of borrowers or lenders. "It's like the early days of independence," he said. "Everything that went wrong was due to colonialism. But this is over. We have to say after 25 years we are responsible for our destiny. We have to address not only the past but the future."

On the issue of debt forgiveness, he said that it was inevitable there would be such a process, but that as a banker he was afraid to talk of forgiveness because of the moral dilemma it presented when it came to writing off shareholders' funds.

A more important question, he said, was whether it was possible to reactivate lending to Africa. He expressed alarm at recent steps taken by Citicorp, Chase Manhattan and Bank of America to make huge provisions for third world debt, saying that such a move might block any prospect of new money being made available for projects in developing countries.

There was also the allied problem, he said, of some debtor countries "taking the easy way out and saying OK, they provided for it, so we'll also forget that we're going to pay".

Kohl visit to Tibet pleases Peking

By Robert Thomson in Peking

MR HELMUT KHOL, the West German Chancellor, is to have the dubious distinction of being the *first foreign* leader to visit Tibet since Chinese troops overran the region in 1950.

Chancellor Kohl arrived in Peking on Sunday and his visit is certain to be used by the Chinese Government to highlight its claims of sovereignty over Tibet, which it says has always been part of China.

The Tibet issue resurfaced after two amendments were passed in the US House of Representatives last month criticising human rights violations in China and the de facto Chinese military occupation of Tibet.

An angered People's Daily, the Communist Party's main organ, said the amendments are a "gross interference in China's internal affairs," while the Government delivered an official protest to Washington, and noted that China "liberated" Tibetans from serfdom.

It is understood that West German diplomats were uneasy about the inclusion of Tibet on the Kohl itinerary, and diplomats from other countries have managed to convince their leaders that while Tibet is recognised as part of China, the Chinese presence is morally questionable.

Before arriving, the Chancellor insisted that he would visit Tibet and maintained that China's sovereignty is not in doubt. Nor was he dissuaded by persistent reports that one million Tibetans have perished since 1950.

The Chinese Government was delighted by a recent two-day visit to Lhasa, the Tibetan capital, by Mr Jimmy Carter, the former US President, who was shown model monasteries and farms, and said that he was pleased by economic and religious development in the so-called Tibet Autonomous Region.

However, nearly every temple in the region was damaged during the Cultural Revolution (1966-76) and hundreds of monks were arrested and executed.

Bangladesh faces strike

BANGLADESH braced yesterday for a second opposition-led strike in three days to protest against the army's role in rural administration, Reuter reports from Dhakar.

A 34-hour labour and opposition-led national strike which closed shops and halted public transport ended this afternoon but students have called for another stoppage tomorrow.

The strike, the longest this year, was called by several trade unions demanding higher wages and benefits, but it turned into a national anti-government protest when opposition groups lent support to the unions.

Shares for S Africa blacks

BY ANTHONY ROBINSON IN JOHANNESBURG

ANGLO AMERICAN Corporation, South Africa's biggest industrial, mining and financial conglomerate is planning to introduce an employee share-owning scheme in a bid to give its mainly black workforce a stake in the company.

Mr Gavin Relly said in his annual chairman's statement that the existing share participation scheme for senior management had "worked well in drawing management and shareholders together in a *common purpose*."

The idea of implementing the principle on a wider scale had been encouraged, he said, by the developing practice for workers in Europe, the US and Japan to hold equity in the companies in which they were employed. Mr Relly made clear that the plan, which would be presented to shareholders "in due course" reflected the corporation's belief that business had to change workers' perception of linkage between apartheid and the capitalist system.

Soviet officials slip into Israel

BY ANDREW WHITLEY IN JERUSALEM

RELATIONS BETWEEN Israel and the Soviet Union, broken off during the 1967 Middle East war, have taken a sharp turn for the better with the arrival in Israel of the first official Soviet delegation in over 20 years.

The eight-man team headed by Mr Yevgeny Antipov, a senior Foreign Ministry official, slipped quietly into Israel on Sunday night on a Cyprus Airways flight from Larnaca. Brandishing diplomatic visas giving them a three-month stay in the country, they have given no indication of how long they intend to stay.

Nominally in Israel to survey Soviet property in the Holy Land originally purchased by Tsarist Russia in the late nineteenth century — much of it Russian Orthodox Church land —the main purpose of the visit is generally regarded as paving the way for an international peace conference on the Middle *East, with Soviet participation.*

Moving quickly to dampen easily raised expectations, Mr Shimon Peres, the Foreign Minister, said Israel should not exaggerate the visit's importance. "It's only a consular delegation," he said. "If they want to inspect church property they can, if they want to meet officials they also can."

While Mr Peres continues to pursue the objective of convening an international conference this year, Mr Yitzhak Shamir, the Prime Minister, has, if anything, stiffened his opposition to the idea.

Whether by accident or design, the delegation's arrival on Sunday coincided with that of a newly released Soviet Jewish dissident, Mr Yuli Edelshtein. As hundreds of enthusiastic supporters mobbed the former "Prisoner of Zion," as such dissidents are known here, the officials from Moscow entered the country unnoticed.

Philippine generals arrest plotters

By Richard Gourlay in Manila

SENIOR PHILIPPINE generals yesterday revealed they had arrested at least one officer last week for plotting to force President Corazon Aquino to step down by seizing Manila International Airport and taking civilians as hostage.

Intelligence reports, confirmed by two generals, showed that the planned helicopter attack at the airport was to be followed by an assault on the neighbouring airbase. The military said it was planned by Col Rolando Abadilla who has been missing since January when he led a failed coup attempt against Mrs Aquino just before a referendum for a new constitution.

That attempted coup included an attack on the same airbase and ended in the siege of a television station.

Last week, US government officials told former President Ferdinand Marcos in exile in Hawaii that he might end up in a detention cell if he continued to try to destabilise Mrs Aquino's Government. In taped conversations between the former president and men posing as arms dealers released last week, Mr Marcos was heard trying to buy arms, missiles and tanks for an insurrection in the Philippines.

Most Filipinos and foreign observers dismissed Mr Marcos's plans as hare-brained with no chance of success. An assault on the domestic airport and nearby base would be embarrassing but equally unlikely to threaten the Aquino Government. It is not clear whether the two incidents were linked although politicians immediately assumed they were.


A PHONE WITH AN 0800 NUMBER
WILL ATTRACT MORE BUSINESS.

AMERICAN NEWS

White House says Reagan was not briefed on arms

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE WHITE HOUSE yesterday firmly rejected suggestions that President Reagan had been briefed last year on plans to use profits from Iranian arms sales for covert operations following comments by Senator Daniel Inouye, co-chairman of the congressional committee investigating the Iran/Contra arms scandal.

Senator Inouye's comments also provoked a sharp exchange between the Democratic co-chairman of the committee and two Republican members. They charged that, contrary to the impression created by newspaper reports of Senator Inouye's remarks, a memorandum that went to the President and to which he had referred did not indicate that profits were used for covert operations.

"I would suggest that the President could have read it from cover to cover and not have had any knowledge of an alleged diversion," said Representative Richard Cheney.

Earlier, Lt Col Oliver North found both his political convictions and his capacity to manage the far-flung covert operations under his control under fire. Members of the inquiry seized the opportunity to turn the hearings into a platform from which they could present to the national television audience their own interpretation of the affair.

After four days of listening to Col North use the hearings as a stage from which to propound and justify his political philosophy, Sen George Mitchell of Maine told Col North that there is "another point of view."

The hearings' investigations of Col North are more or less over and attention is switching towards the testimony later this week of Rear Admiral John Poindexter, President Reagan's former National Security Adviser.

Oliver North (left) and John Poindexter: Two keys to the question of how much President Reagan knew

Col North yesterday found his ideological commitment to the Contras being criticised. With public opinion polls suggesting that Col North's covert operations are less attractive to the American people than his personality, Sen Mitchell issued an eloquent appeal urging him to recognise that "it is possible for Americans to disagree with you and still love their country."

Referring to Col North's comments thanking God for the help provided for the Contras, Sen Mitchell, adopting the tone of a teacher towards a student, gently rebuked him saying "God doesn't take sides in American politics." He went on: "Many patriotic Americans believe there is a better way to bring peace to Central America and contain the Sandinistas" than the policies which the Reagan Administration has been following.

Col North also found himself faced by Sen Paul Trible, a Republican critic of the Iran-Contra operation, with the charge that he had naively trusted his two principal private partners in the operation, Mr Richard Secord and Mr Albert Hakim.

Poindexter to go on stand

BY LIONEL BARBER IN WASHINGTON

REAR ADMIRAL John Poindexter, probably the single most important witness at the Congressional inquiry into the Iran-Contra scandal, is expected to appear before the joint House-Senate panel in Washington.

For the US public, the admiral will be best placed to answer the prime question: Did President Ronald Reagan know about the diversion to the Nicaraguan Contra rebels of profits from secret US arms sales to Iran? As Mr Reagan's National Security Adviser during most of 1986—until he was removed when the scandal broke last November 25—Admiral Poindexter enjoyed daily access to the president.

More than any previous witness, he know that Mr Reagan was told about the scheme to divert money to the Contras during a Congressional ban on US military aid to them.

Adm Poindexter could srtip away Mr Reagan's one enduring denial in the affair—that he knew nothing about the diversion.

Yet this, by itself, is not of paramount importance because the majority of Americans do not believe the president's denial. Indeed, since the Iran arms deals became public knowledge, the president and his advisers have been, at the very least, casual about telling the truth. This is best illustrated by their refusal to admit that Mr Reagan authorised the barter of US arms for American hostages held in Lebanon.

Far more revealing and damaging would be the admiral's account of duplicity, incompetence and unnecessary secrecy which pervaded the Reagan administration and led directly to the shambles of the Iran-Contra affair.

A perpetual pipe-smoker, Adm Poindexter, 50, became national security adviser in January 1986, after the resignation of Mr Robert McFarlane. It is widely accepted that the latter was pushed out of the White House by Mr Reagan's imperious chief of staff at the time, Mr Donald Regan.

Mr Regan—recognising that the adviser's post had declined in influence since the globe-trotting days of Dr Henry Kissinger—was determined to keep it that way.

Adm Poindexter, a boffin who graduated head of his class at the US Naval Academy in 1958, had none of Mr Regan's skills in political infighting to challenge him. Instead, he retreated into his office, quietly tapping out commands on his internal White House computer, supervising Lt-Col Oliver North's bewildering array of covert operation around the world.

A conservative and devout christian, Adm Poindexter will argue to the committee he was unaware of some of Col North's activities.

In support, he will use the colonel's earlier testimony that the latter reported frequently to the late Mr William Casey, CIA Director, thereby by-passing the admiral.

In general, though, he is expected to stand firm on the principle of Contra support, even during the Congressional ban, and argue strongly for wide discretionary powers in support of the president's foreign policy. Whatever the validity of these arguments, the admiral's most immediate problem is the television cameras.

He will cut a sharp contrast with Col North, whom he supervised at the National Security Council and whose testimony last week captured the emotional support of thousands of Americans. An icy figure whose bureaucratic language has none of the barrack room colour of the colonel's, Adm Poindexter is unlikely to inspire the same sympathy and so can expect far rougher treatment by the committee.

Col North's core defence—that he was acting under orders—has also made things far more difficult for his former boss. "The buck stops at Poindexter," said one Congressional staff man last week—"unless he passes it on to the president."

No-one outside a small circle of Committee officials and members knows what Adm Poindexter has said in his four private meetings, in preparation for his public appearance before the Committee.

So far, the clearest hint that he obtained presidential approval for use of the profits from Iran for covert operations (including perhaps the Contra support operation) is in a memo of September 15 from Col North to Adm Poindexter. That could be the "smoking gun" memo.

The question this week will be whether Adm Poindexter decides to pull the trigger.

Venezuela urged to impose austerity

BY JOE MANN IN CARACAS

EVALUATION TEAMS from the International Monetary Fund and the World Bank have told the Venezuelan Government that it should reduce public sector spending, allow domestic interest rates to rise, expand non-oil exports and speed the provision of foreign currency to private sector importers.

Following visits by teams from both international agencies, Mr Manuel Azpurua, Finance Minister, said the evaluation teams "recognised the efforts" made by the government to rectify the economy in several policy areas. It was not known, however, whether the minister had made public all of the criticisms by the two agencies.

The IMF and World Bank groups were in Venezuela to analyse the government's economic policies and evaluate the economy's recent performance. The World Bank team left here on Friday.

Venezuela has not sought loans from the World Bank since the early 1960s, but is now trying to obtain a series of large credits for development projects.

Despite reductions in oil export revenues, Venezuela's most important source of income the government of President Jaime Lusinchi has continued to spend on social welfare programmes and subsidies.

The economy grew by more than 3 per cent in 1986 but the outlook for this year is growth of 1 per cent or less with a substantial balance of payments deficit and increased inflation.

Opposition in Panama plans strike

By Peter Ford in Panama City

OPPOSITION LEADERS seeking the removal of General Manuel Antonio Noriega, the Panamanian strongman, said yesterday they would hold a second mass rally this week, their first attempt having been broken up by police on Friday.

They also announced plans for a general strike, but set no date for either action. The general insists he has no intention of resigning.

Firing buckshot and tear-gas grenades, riot police and troops fought off thousands of anti-Government demonstrators trying to hold a rally on Friday that President Eric del Valle had banned.

Scores of protesters were wounded, and at least 300 were arrested, in violent incidents but there were no reported deaths.

Troops were posted at key points through the city centre over the weekend to prevent any further demonstrations.

Canada arrests refugee ship

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Coast Guards have arrested a refugee vessel off the coast of Nova Scotia, after a group of 174 east Indians landed from small boats in fog near Dartmouth early on Sunday.

Coast Guard vessels and helicopters were looking for a second refugee ship, according to federal immigration officials in Halifax. The first has been taken to Halifax with the refugees.

This is the second boat drama in Canada in 11 months. Last August, 155 Tamil refugees from Sri Lanka landed on the Nova Scotia coast. They said they paid $5,000 each for a voyage from India, via Europe. The incident raised charges in Canada that the country's immigration laws were too lax.

The Tamils were accepted as political refugees and all have found jobs, mainly in Ontario and Quebec.

Police yesterday arrested a Swede, believed to be the captain of the first refugee ship, but they had no explanation of how he came to be ashore.

They also arrested an east Indian, while the 174 refugees—173 men and one woman—were being screened by immigration officers in Halifax. Some of the refugees were described as Sikhs, and the Sikh community in Canada offered help.

Immigration officials were sceptical of refugee claims that they had come from India. Clothing and luggage suggested they had come from Europe, possibly Hamburg or Amsterdam. The Tamils last August admitted eventually that they had set out from West Germany.

Canadian law says that anyone who manages to set foot on Canadian soil and claims to be a political refugee can remain while hearings take place to determine the validity of the claim.

Mr Benoit Bouchard, Immigration Minister, said the latest boat people cannot be deported because of the law. But the Government has proposed to reduce abuse, mainly by reducing the time needed to determine individual refugee cases.

Police at Dartmouth suggested that a second refugee ship may be carrying women and children.

Washington lobbyist goes on trial for perjury

BY OUR WASHINGTON STAFF

PRESIDENT REAGAN'S former senior White House adviser, Mr Michael Deaver, went on trial here yesterday charged with two counts of lying to Congress and three counts of perjury to a grand jury investigating his lobbying.

Mr Deaver—a close friend of Mrs Nancy Reagan, the president's wife—is the first person ever to be indicted under the Ethics in Government Act of 1978, which was framed to crack down on unethical conduct and conflict of interest after the Watergate affair.

His fall from grace is seen as a textbook illustration of how not to do business in Washington. As head of his own lobbying firm—set up shortly after he left the White House in 1985—Mr Deaver immediately advertised his White House connections and, to the fury of other lobbyists, landed contracts to lobby on behalf of big US corporations and foreign governments.

His trial follows a lengthy court battle, in which he tried to block the inquiry by the court-appointed independent prosecutor Mr Whitney North Seymour. This failed, but the trial will not focus on his lobbying but on the perjury charges.

The trial could last up to five weeks and, if convicted, Mr Deaver faces a maximum jail sentence of 25 years and fines of up to $34,000.

David Buchan reports on ambitious Defence Department procurement policies

US competition takes on a dizzying aspect

IT WAS industrial espionage, but under the aegie of the US Navy and in the name of competition to give the American taxpayer better value for his money.

Newport News, the giant Virginian shipyard, recently was given the job of servicing the latest operational Trident submarine, the USS Nevada, precisely so that its engineers and assessors could crawl all over the $1.4bn boat built by rival General Dynamics to see whether they wanted to take a tilt at GD's Trident submarine monopoly.

Newport News is still weighing the Navy's proposal that it enter the lists against GD. The Navy also believes that Lockheed, sole maker of long range submarine-launched missiles since the US started putting part of its strategic deterrent to sea, should face competition on the production of the Trident D-5 missile it is now developing.

It reckons that Martin Marietta, maker of long range land-based missiles like Titan and Pershing, could provide that competition. So does Martin Marietta itself.

The outcome is of potential interest and benefit to Britain, sole export customer for the D-5.

It is at this stage, with talk of two companies tooling up to produce an item so sophisticated that a single production line is only barely within a major European country's national resources, that the foreigner begins to feel a trifle dizzy. The most ambitious European proponents of competition on a national level—Mr Peter Levene; chief of UK defence procurement, for instance—are only seeking rival bids to make torpedoes and the like.

This dizziness, at the prospect of where current US Defence Department procurement policies might go, is shared by many in the US defence industry, some Pentagon officials and even a few in Congress. Many industry executives complain privately that competition now is being pursued "for competition's sake," and to advance the careers of those professionally involved in it in the DoD.

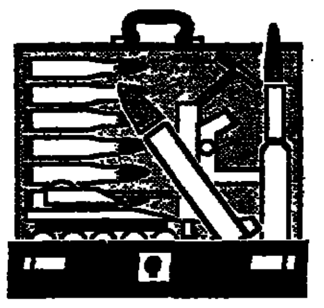
It is also possible that the high tide of competition may have receded with the retirement of its more forceful protagenist within the Administration, Mr John Lehman, from the post of Navy Secretary and the advent of more business-minded men like Mr Richard Godwin (from Bechtel), and Dr Robert Costello (from General Motors) to senior DoD acquisition posts.

But competition is the law. Congress made it so in legislation since 1984. Among other things, this set up "competition advocates" at all DoD buying commands, including the Strategic Defence Initiative (SDI) organisation, the Defence Intelligence Agency and the National Security Agency; required each non-competitive purchase worth more than $10m go to the respective service secretary for approval; and required that development of all major weapons be subject to competition (preferably in the form of rival prototypes) unless the Defence Secretary says otherwise. There is also no doubt that competition has brought big cost savings.

Despite myths about competition being the American way of doing busines, in peacetime defence procurement competition had been often limited to initial design. The company with the most cost effective design got the research and development (R & D) contract and, usually, the sole source production contract to follow.

The pattern was to have competition at the design of each new generation of major weapon system and production monopoly in between. This is still how the Air Force procures its major systems. To have two companies specially tooled up to produce the same aircraft makes little sense in peacetime, though the new trend of two or more companies teaming up to compete for design—as with the Advanced Tactical Fighter (ATF) or the Light Attack Helicopter (LHX)—opens up the possibility of an R & D team subsequently splitting up to compete for production.

But in recent years Washington's politicians and soldiers have decided that much greater savings can be reaped by extending competition further into the acquisition cycle, into defence production as well as R & D. Defence need not be so unlike the civil economy where these are always a continuous alternative—if you don't like General Motors, you can always turn to Ford. Benefits of competition can be reaped in every year of production, not just at the award of an R & D or production contract.



Several factors helped shape this philosophy. The political hue and cry in the mid-1980s over the incidental defence items that the public could easily judge to be wildly overpriced, such as the $600 hammer or the $2,000 airborne coffee pot, led the services to open up supply of more spare parts and components to competitive tender. The savings on spare parts was $3.8bn in 1984-1986 — more than the DoD dared hope.

Of a total inventory of 4.6m different spare parts, more than 90 per cent of those recently bought have come down in price. This policy has also helped broaden DoD's supplier base; "vendor fairs" run by the services have brought in new suppliers recently, in particular in those parts of the country where a depressed oil industry is looking for new work.

The biggest obstacle to further success in this field is that the Government does not own the proprietary rights for much old equipment (it now insists on such rights in new contracts). In order to produce "data packages" for would-be competitors the services have bought new rights on old equipment, gone to court on occasion to acquire rights from existing patent holders and even done their own reverse engineering to create their own rights.

"Initial procurement of C-130 transports or B-52 bombers was a long time ago when we, the Air Force, didn't buy data," says General William Hallin, his service's top competition advocate. The Air Force buys more than 100,000 items from sole sources simply because the data on which a second supplier could work is either locked up legally by the original producer, incomplete or non-existent. So, just as if it were working on captured Soviet equipment, the Air Force reverse engineers the item to re-create the data.

Another specific factor driving the move towards competitive defence production was the realisation in the mid-1980s that, in the important area of tactical missiles, there were (a) quality problems with existing producers and (b) sufficient volume to warrant secondary producers.

"Dual sourcing" of missiles had been done before (Sidewinder and Sparrow, for example) and was bound to increase as missiles came to rival traditional ammunition as the services' high-volume "consumables". But it was given a fresh fillip when Hughes Aircraft (now owned by General Motors) had to shut down its Tucson plant for six months in 1985 after the DoD stopped progress payments due to quality problems.

It so happened Tucson produced missiles for all three services— Maverick for the Air Force, TOW for the Army and Phoenix for the Navy. Hughes executives regard it as a coincidence, but the fact is that Hughes has been probably most hit of any company by second sourcing and is facing production competition on Maverick, Amraam, Phoenix (in each case from Raytheon) and soon probably also on TOW.

It is the production runs of missiles that make dual sourcing potentially attractive to both the DoD and industry, plus low investment costs (typically 1-2 per cent of total costs) and much general purpose test and tooling equipment. For instance as many as 67,000 of the Stinger missile, which the Army is to compete, may be ordered, of which General Dynamics has so far only made around 15,000

In some new programmes, dual sourcing is being institutionalised from the start. One notable example is the teaming of Bell and Boeing to develop the V-22 "tilt rotor" Osprey aircraft for the Navy; they will later split to compete for production. A subsequent production competition is envisaged for whichever pair of companies (Boeing/Sikorsky or Bell/McDonnell-Douglas) win design of the LHX army helicopter.

Generally, two competing producers will share each year output 60/40 or 70/30 per cent, with the lowest bidder getting the higher stake. But the Navy, under Mr Lehman, has played it tougher. In 1985, for instance, GD got all four nuclear attack submarine orders, all of last year's four attack sub orders went to Newport News. This sharpening of the rewards and risks of competition brought savings of $291m on the four 1986 attack submarine orders according to Admiral Robert Moore, the Navy competition advocate. It is also a reason why the Navy's savings, or claimed savings, from competition are higher than the other two services.

The threat, as much as the reality, of dual sourcing can be quite as effective. To avoid competition, a supplier will often give the services a discount on his existing price, if he can also get a multi-year order.

General Charles Henry, Army competition advocate, welcomes this, adding: "A bargain is a bargain wherever I got it." He cautions that Congress, to forgo its beloved annual review of programmes, requires a minimum 10-12 per cent price cut to justify a multi-year procurement. But Raytheon, for instance, offered more than that, a $314m cut over three years, to keep its Patriot missile out of the competition's hands

In the end, it is a numbers game. The DoD and industry each have to weigh up competition costs and production runs and decide if there are, respectively, enough savings or profits to be made. The DoD has costs such as evaluating bids and paying for a "leader" company to instruct a "follower" company in dual-sourced production. Companies, for their part, have to reckon with the fact that the DoD now allows them to recover much less in the way of special tooling costs.

This is the second of a series of articles charting the consequences of the dramatic military build-up of the Reagan years. The first article appeared on July 13.

RECENT SAVINGS

ARMY

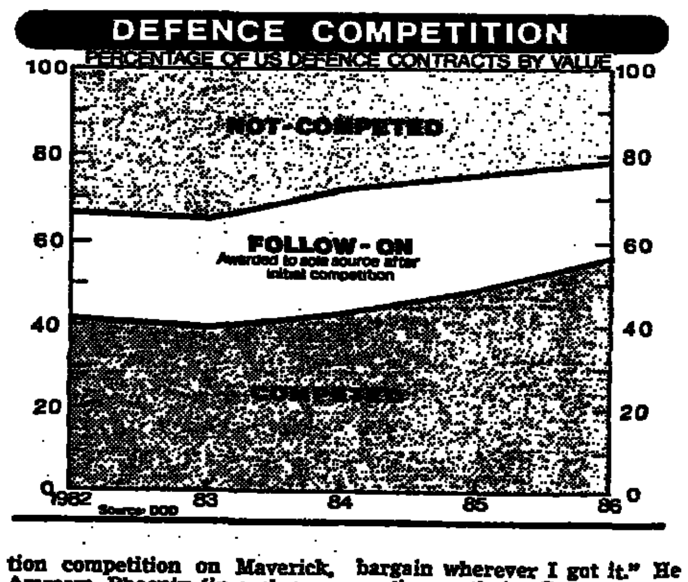
—82% savings in engine overhaul costs;
—86% drop in two Patriot missile component unit prices.

NAVY

—$4.5bn from Navy shipbuilding, aviation and other major systems between 1983 and 1985;
—$958m in shipbuilding and $200m in ship repair in 1986;
—$582m in savings between 1982 and 1986 from Sparrow and Sidewinder missile competition.

AIR FORCE

—$100m in 1985 and 1986 from combined effects munitions;
—life-cycle cost savings of over $48bn from the Alternative Fighter Engine competition;
—57% drop in unit costs for the Maverick missile.



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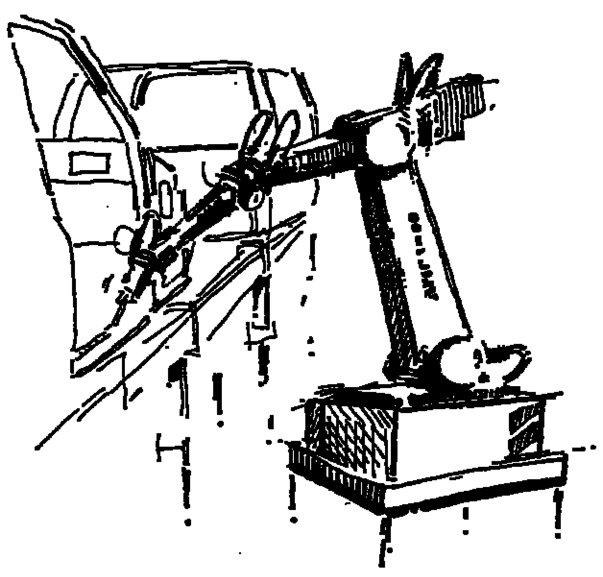

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WORLD TRADE NEWS

Bob King reports that exporters' dire warnings of collapse have been exaggerated

Taiwan industry rises above strong dollar

TAIWAN'S export-orientated industries have been complaining for months that the steady appreciation of the Taiwan dollar would soon force most of them to shut their doors.

Only nine months ago, local papers reported that at NT$34 to US$1, nearly 60 per cent of Taiwan's major exporters would go out of business. More drastic disruptions were predicted should the NT$ rise beyond 32 to one.

"I personally feel that beyond 33 to one it's going to be difficult for the footwear industry to survive," Mr John Hao, a major shoe exporter and a director of the Taiwan Footwear Association, predicted two months ago.

At the time, *leading* exporters in other industries were saying much the same thing, although their projections of the crisis point varied.

Now, almost 18 months after the currency rise began, the NT$ stands at nearly 31 to one, but most factories are still running, despite some shifting of orders to less costly areas such as Thailand and China, and no one seems to know when local manufacturers will reach the real danger point in terms of exchange losses.

So it seems that earlier dire warnings of collapse by exporters were greatly exaggerated and that manufacturers' costing flexibility and profit margins were far greater than expected—which knowledgeable economists have long maintained despite protests from businessmen.

The Taiwan government said yesterday it had approved $632m in foreign investment in the first six months of 1987, up 158 per cent from the same period last year.

The US led the way with $203m in investment, more than four times more than last year's $49m, the Investment Commission said.

Japan folowed with $175m, up 88 per cent. Investments from Europe totalled $83m, a 192 per cent increase.

Investments from Hong Kong, which have increased steadily because of concern over Communist China's scheduled takeover of the British territory in 1997, were up more than threefold to $77.4m.

"There's a lot of fat in the economic system that we can afford to cut out without disturbing the system itself," says Mr Charles Wu, a researcher at the economics institute of the prestigious Academia Sinica.

Mr Wu adds that the Taiwan dollar's rise will, in the long run, prove positive because it will drive marginal producers of various products out of the low end and into upgraded goods—a direction in which the Government has been urging business to move for years without much success.

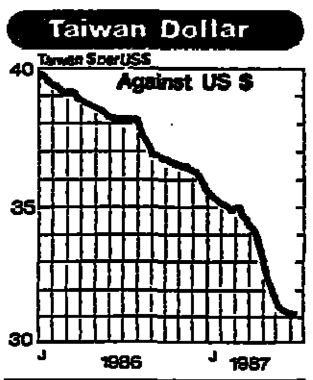
In fact, there are suggestions that the Government has gone along with pressure for appreciation because it believes that industry, which for years has ridden comfortably along on sales of inexpensive garments, shoes and assorted widgets, requires forcing rather than persuasion before it will give up its traditional ways.

"The Government is not spoiling the baby anymore," says one industry analyst. "It's given up persuading industries to upgrade and it's ready to let companies collapse that fail to go along with the programme."

In fact rumours have been circulating that the Government intends to allow the Taiwan dollar to rise above 30 to one—a level that most observers agree would cause serious trouble even to efficient manufacturers.

Economists say privately, however, that the Government is prepared to allow the currency to stabilise somewhere between 30 to 31 to one. At that level, they say, inefficient and marginal producers will have to improve their operations and their products or go out of business while companies that go with the flow will be relatively unaffected.

While most dire predictions from industry have remained largely unfulfilled, the appreciation has already had some impact.



For instance, exporters have begun shifting their focus away from the US, which traditionally has bought about half of Taiwan's exports, and toward other areas such as Europe where currencies are stronger.

That shift shows up in the export figures: sales to Europe were up by 60 per cent in 1986 and they increased at an annualised rate of 73 per cent during the first four months of this year.

But while exporters may be looking to other markets buyers, especially those from the US, have begun looking for other sources.

Sources in the footwear industry—the world's largest in terms of the number of shoes exported and Taiwan's third largest foreign exchange earner—report an increased shift of orders to such countries as *Thailand and China where costs* are lower and exchange rates more agreeable.

Some Taiwanese companies have even quietly set up manufacturing operations in Guangdon Province, importing made-in-Taiwan components and taking advantage of China's lower labour costs—despite strict prohibitions on such activities by the Taiwan Government.

Sources in other industries tell of similar shifts to less developed countries as the Taiwan dollar rises. Mr Bill Whitburn, a long-time Taiwan resident and a major exporter of garments, says that hedging against future exchange rates by manufacturers on quotations has made them no longer competitive. As a result buyers have started going elsewhere.

No one knows just how high the Taiwan dollar will go or how quickly Taiwanese companies will adjust to the new situation. With liberalisations such as the lifting of controls on foreign exchange movements, the radical lowering of tariffs and the encouragement of private Taiwanese investment abroad, it is clear that the economy and, by extension, industry are in transition.

From an economist's point of view this amounts to very healthy activity. But where it leaves Taiwan's exporters, even at 31 to one, is still anyone's guess.

Tokyo tries to defuse tension over Toshiba

JAPAN'S Trade Minister will fly to Washington tomorrow in an effort to ease tension over the illegal sale of sensitive technology to the Soviet Union by a subsidiary of Toshiba, a ministry official said yesterday, AP reports from Tokyo.

The official said it had not been decided who Mr Hajime Tamura will meet while in Washington, but he is trying to set up meetings with US congressmen and Mr Malcolm Baldrige, the US Commerce Secretary. The official spoke on condition of anonymity.

Mr Sugiichiro Watari, former president of Toshiba is believed to have stepped down as president of the Japan Electronic Industry Development Association. However the association denied the report by Kyodo news agency.

Mr Watari and Mr Shoichi, former chairman, resigned from Toshiba on July 1, accepting responsibility for the sale of Toshiba Machine of computerised milling machines capable of manufacturing ultra-quiet submarine propellers

The noiseless propeller blades are specially contoured to make less reverberation in the water.

US officials have maintained the sales dealt a severe blow to the security of the western alliance, and the US Senate voted to ban the imports of Toshiba products for two to five years.

UK group to send first Argentine trade mission since 1982

BY PETER MONTAGNON, WORLD TRADE EDITOR

A GROUP of British businessmen is to visit Argentina this week on what is effectively the first organised trade mission by British exporters since the Falklands crisis of 1982.

The mission is an entirely private initiative and has not benefited from any UK government assistance, but it is understood that the Department of Trade and Industry has welcomed the initiative it is making to try and revive the flagging trade flow between the two countries.

Led by Mr Paul Eadie of the Manchester-based Eadie Brothers textiles concern, it includes representatives from 14 companies who are finishing off an official mission to Chile. Among the companies represented are Barclays Bank and Wedgwood, the porcelain and crystal concern.

It underlines the concern felt by many British companies that they may face a permanent loss of market share in Argentina after five years of import restrictions since the Falklands war. Officially recorded UK exports to Argentina were only £10.1m last year compared with over £160m in 1981.

While Argentina's exports to the UK have begun to recover again—they reached £28.6m in 1986—British exporters remain hampered by Argentina's refusal to grant import licences for UK goods. Most trade has to pass through third countries.

Though there is no sign of a normalisation of commercial relations in the short term, the UK Government is believed to hope that the visit by this week's mission, which will not see any government officials, will revive pressure locally in Buenos Aires for a more normal pattern of trade to be established in what was once one of the most important British markets in Latin America.

Britain's trade with Central and South America fell dramatically after the onset of the debt crisis in 1982. Total exports reached a low of £682m in 1983, but they have now recovered to just over £1bn a year, in nominal terms equivalent to their level before the debt crisis erupted.

British trade officials say that a policy of concentrating on exports of essential goods for which buyers pay cash such as organic chemicals, instrumentation equipment and generating sets has led to a marginal improvement of Britain's share in OECD exports to the region. This is now creeping up towards 3 per cent from a low point of 2.8 per cent in 1983.

Nonetheless, Department of Trade and Industry officials feel that, partly because of the difficulty in obtaining Export Credits Guarantee Department cover in some countries, UK companies have been too willing to write Latin America off.

Despite Brazil's economic difficulties, Petrobras, its state-owned oil and gas concern, has a purchasing programme of $2.8bn a year and similar business opportunities are available from other large concerns such as Mexico's Pemex oil company and the state-owned Brazilian mining firm CVRD.

Coca-Cola to set up plant in the Gulf

THE US soft drinks giant Coca-Cola plans to return to the lucrative Gulf market after 20 years on the Arab boycott list. The company was put on the list in 1967 because it had a franchise in Israel.

Authorities in the United Arab Emirates (UAE) and Oman are understood to have approved the sale of Coca-Cola and construction *of* a licensed *bottling plant* at *Al Ain*, *an* oasis city on their border 160 km east of Abu Dhabi.

Coca-Cola's arch rival Pepsi Co, not on the boycott list, had enjoyed virtually unchallenged dominance of the five billion bottle a year market in the Gulf.

No date has been given for the start of construction of the plant but sales of imported Coca-Cola could begin in the two countries as early as September.

In the UAE, import, sale and manufacture of Coca-Cola will be handled by a joint venture consisting of Abu Dhabi's Al Ahlia group, which includes prominent local investors, and Omani interests.

Asea links up with two Norway groups

ASEA, the Swedish electrical engineering group, has signed an agreement to co-operate with two Norwegian concerns in order to strengthen its hand in bidding for future power projects in Europe, report Sara Webb from Stockholm and Karen Fossli from Oslo.

Asea plans to co-operate with Kvaerner, the leading Norwegian engineering group, *and Elektrisk Bureau, the elec*tronics and telecommunications company in which it has a 20 per cent stake. The companies will co-operate in bidding for contracts for a gas fired power plant at Kaarstoe where there is a gas treatment facility already in operation.

The bidding documents for the project are due to be released in August. Under the agreement, Asea hopes to supply steam turbines, while Kvaerner hopes to deliver the gas turbines and Elektrisk Bureau aims to supply electrical equipment and installations.

Kvaerner said that if it wins the contract, about 70 per cent of it will go to Norwegian industry

McDONNELL DOUGLAS TALKS

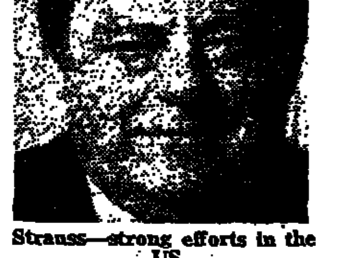
Key role for tireless promoter of Airbus

BY DAVID MARSH IN BONN

ONE important reason for the relaunching of talks on airliner-building collaboration between the Airbus Industrie and McDonnell Douglas lies in the *bulky figure of Mr Franz Josef* Strauss.

The veteran West German conservative politician is Prime Minister of Bavaria and chairman of the Christian Social Union (CSU), one of the partners in the Bonn coalition government. But some people think the job he likes best is *his post* as *chairman of* the supervisory board of the four-nation Airbus consortium.

"*It is an old man's hobby*," says one Bonn official close to Mr Gerhard Stoltenberg, the West German Finance Minister, who has in the past few months fought — and lost — against Mr Strauss over the issue of German government subsidies for the Airbus venture.



Strauss—strong efforts in the US

Mr Strauss is a tireless promoter for the Airbus venture in the US. He picked up some of the credit for the consortium's success last October in clinching a landmark deal with Northwest Airlines. Involving sales of up to 100 150-seater A-320 aircraft, it could be worth as much as $3.2bn.

Mr Strauss has therefore been keen to support any action by European governments to defuse the threat of an airliner trade war with the Americans. One way to do this would be to decide joint production between McDonnell-Douglas and Airbus. This has become an increasingly important goal over the past few months for the Bonn Economics Ministry, which is in charge of West German participation in the Airbus programme.

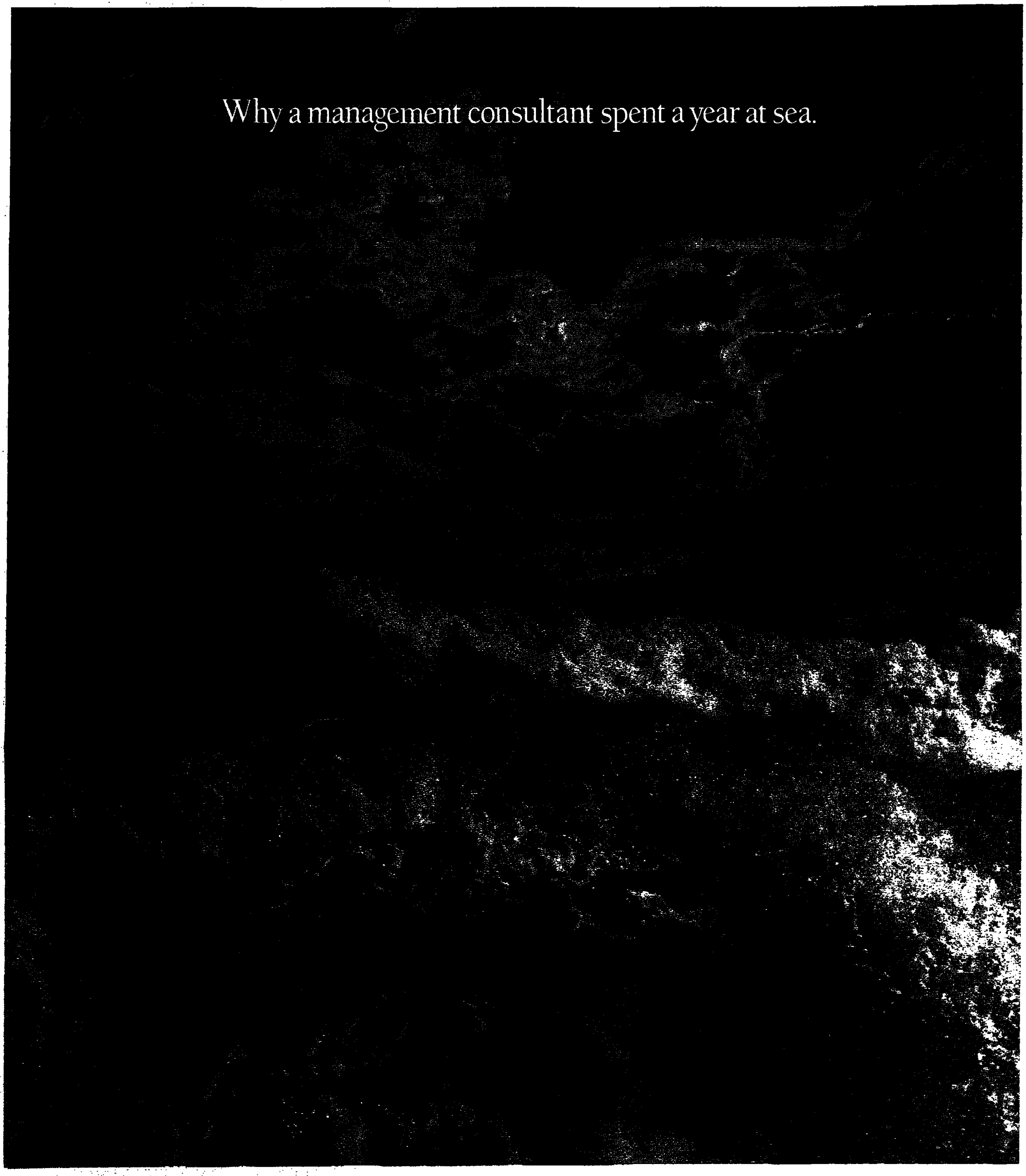
European government officials and executives from the two groups agree that cooperation to avoid ruinous competition in the fight against Boeing, the world's dominant airliner manufacturer, makes sense. "The problem is putting the idea into practice," remarks one senior Airbus executive.

Airbus and McDonnell-Douglas have discussed a number of ideas since restarting talks after the Paris air show last month. These include links on the best-selling A320 programme — taking in the possibility of cooperation on a future stretched version of the aircraft of 160 to 180 seats.

One of the "thousand possibilities," according to one executive, is that McDonnell *Douglas renounce its plan to* build the MD-11, a competitor to the A340—something the US company is highly unlikely to do.

Mr Strauss's agreement with the West German Economics Ministry over the need for links with McDonnell Douglas underlines how the Bavarian politician is *playing a higher pro*file role in Bonn over Airbus questions.

In March he succeeded in steering through the appointment of a protege as the Economics Ministry state secretary in charge of aerospace affairs. He is Mr Erich Riedl, a long-time CSU deputy, who can be relied upon faithfully to represent Mr Strauss's point of view.



It was not a job for the squeamish. Before Price Waterhouse consultants could be selected they had to spend time strapped into a 'helicopter' submerged under water. If they released their seat belts early they were failed.

That is the survival course undergone by all oil rig staff in the North Sea.

So it is but a matter of course for Price Waterhouse project managers on off-shore platforms.

On such projects there are hundreds of millions of pounds at risk. Changes in technology have an even greater effect than changes in meteorology.

Which is why our team of ten project managers, two of whom spent a year actually on the platform, were assigned to provide essential management expertise in engineering and data processing. They were there to ensure the project came in on time and on budget. (A month's delay is the equivalent of tens of millions of pounds drifting down to Davy Jones's locker).

And, once the platform was operational, our project managers helped with handing over to inspection, maintenance and operating teams.

For example, oil rigs have a very tight working area. Construction crews describe the conditions as like trying to repair a car engine without putting any bits on the floor. So we helped ensure that personnel and resources were in the right place at the right time, using integrated systems and the minimum of paperwork.

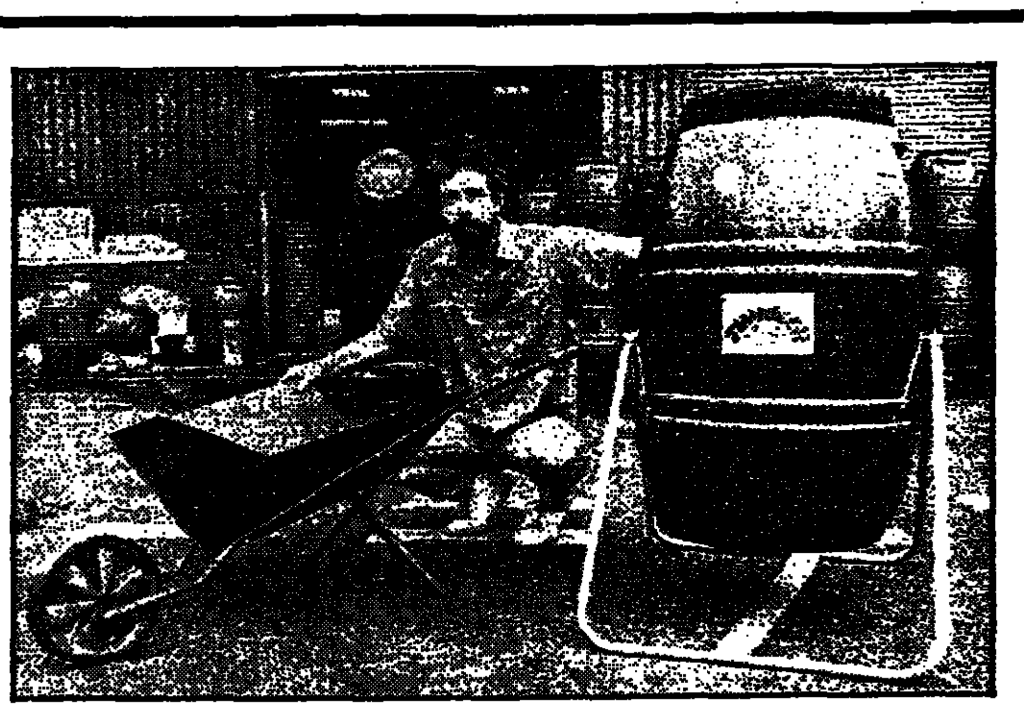
Our project managers can get their hands dirty on any kind of public or private enterprise.

"Time is money" are well known words of business wisdom. We can save you both.

Price Waterhouse

MANAGEMENT: Small business

EDITED BY CHRISTOPHER LORENZ



Grant Blakemore of Blackwall Products: a thoroughly professional approach

Co-ops: on a high

Charles Batchelor on the movement's increased commercial realism

IF GOOD intentions could create business empires then worker co-operatives would be playing a major role in the British economy. The reality is that their economic significance is negligible and that while their numbers have increased sharply in recent years they remain a small, esoteric corner of the growing small business sector.

The number of worker co-ops has risen from about 50 in the mid-1970s to 1,300, and their total membership to about 20,000. Despite this jump in numbers, worker co-ops are still estimated to account for a combined turnover of only £275m — equivalent to one medium-sized, conventionally-structured company.

This is in stark contrast with several other European countries. The example of Mondragon, the large Basque co-operative in northern Spain, continues to excite much interest, but has yet to spawn any sizeable copies in Britain. In France and Italy large-scale co-operatives have built up strong positions in the construction and building materials industries.

Co-ops in these three countries enjoy better access to finance, a recognised status in the bidding for public contracts, and strong and efficient central organisations to provide training and advice. The co-operative movement frequently enjoys support from parties at both ends of the political spectrum.

But in Britain the co-operative support organisations are small and under-funded. Politically, they have been dogged by the open-toed sandal image of many of their supporters, and by unhappy memories of three ill-conceived "rescue" co-ops—The Scottish Daily News, Kirkby Manufacturing & Enginering and Meriden—backed by Tony Benn, the then Industry Secretary, in the 1970s.

But behind the scenes the two main co-operative support organisations—the Co-operative Development Agency (CDA) and the Industrial Common Ownership Movement (ICOM)—have been attempting to solve some of their practical problems.

"When I set up a co-op in 1977 we had great difficulty finding a solicitor to draw up the rules," recalls Charles Edwards, a member of the Co-operative Advisory Group (itself a co-op), which provides management consultancy advice to co-ops and conventional companies. "Now there are model rules which you can use."

Most recently, matters have improved to such an extent that Conservative politicians have espoused the cause. Earlier this year the government launched a £200,000 programme to promote co-ops in Middlesbrough, in one of its inner-city task force areas. The aim is to create enough co-ops of a significant size so that the idea becomes self-generating, as it has in Mondragon.

Co-ops differ from conventional businesses in the fact that the workers own and control the company's assets. Each member has one vote, however large his holding, takes part in the decision-making and shares in the company's profits.

In the past, this democratic ideal has made life difficult for many British co-ops because they have been torn between the opposing poles of commitment and commerce.

"The co-op has to be highly competitive in the outside market yet work by consensus inside to be true to its social aims," says George Jones, chief executive of the Co-operative Development Agency. "And consensus and competition don't go together."

Many of the recent wave of co-operatives have shown much greater commercial realism. "When people first came to us the most important thing to them was the co-operative ideal," says Mark Wright, a co-operative advisor employed by the borough of Lewisham, in south-east London. "Many came from a community background and were against the idea of profit. That has changed and people are now coming with business ideas, with the co-op idea only secondary."

Blackwall Products, a co-op producing compost makers and other garden accessories, set out to make recycled products — its compost bins start life as containers for importing fruit pulp from the Continent.

These ideals are combined with a commercial approach which is thoroughly professional. It expects to sell £300,000 worth of garden products to the likes of Tesco, Sainsbury's Homebase and mail order concerns such as Littlewoods and Freemans this year for a profit of £50,000 to £60,000.

"We aim to launch two new products a year," explains Grant Blakemore, the sales director. "We want a balance between making profits and employing people. Very few of the businesses we deal with know we are a co-operative. The most important thing is to be successful rather than keep on about being a co-operative."

And while business policies at Blackwall Products are still decided at the weekly meeting of its six members, Blakemore estimates that with salaries for all full members set at £10,000 a year—reducible if profits drop — many of them are earning more than they would in a comparable, conventional small business.

Finance is a major problem for any small business—co-op or otherwise — but the co-operative structure does have its particular difficulties. The traditional co-op form does not allow in outside investors so its members must provide all the finance themselves.

As a means of attracting outside capital while retaining the co-operative principle, equity participation co-ops were launched in the early 1980s. But so far only three or four co-ops have adopted this format.

The Bristol Community Garden Centre has been one of the pioneers, though Steve Shaw, a founder member, admits it was a "very contentious" move to issue shares.

The garden centre, which was set up to raise funds for an inner city farm in Bristol, issued £25,000 worth of shares to the friends, family and acquaintances of its nine members. A further £5,000 worth of shares was taken up by the co-op members themselves.

The shares held by co-op members have 10 times the voting power of the publicly-held shares, so the members retain control. If the business fails to pay dividends however the voting power of outside shareholders is increased to give them the same voting rights.

From turnover of £190,000 in its first year, the centre expects to rise to £250,000 in the current year, a level at which it could break even, says Shaw.

Work on increasing the financial muscle of co-ops is also going on at Industrial Common Ownership Finance, part of the ICOM organisation. It is attempting to raise £500,000 by public subscription to fund co-ops and is also considering how to structure a venture capital-style fund to raise £5m.

Next to finance, co-ops face particularly difficult problems of management. "There was a feeling that management was a feature of conventional business that co-ops could do without," says Charles Edwards.

Yet paradoxically co-ops can require even greater management skills than a conventional business, where the owner and founder is the natural head of the hierarchy. "You need even greater management strengths in a co-op," warns George Jones of the CDA.

This exposure becomes particularly crucial if the co-op starts to grow. Not only do the outside commercial pressures increase in intensity, the democratic structure on which they are based comes into question. Some solve this by splitting off activities into new co-ops. Others attempt to convert a system of direct democracy into one of representational democracy.

This is a question currently causing headaches for Pregnancy Advisory Service (PAS), a London-based charity and co-operative. With 113 members and a further 60 or so non-member workers, it is finding its system of monthly and quarterly management meetings too cumbersome.

"When we set ourselves up we didn't work out very clear lines of accountability, so the boundaries are unclear," says Jeanne Saint, PAS's co-ordinator. "Now we need to know who can make decisions to avoid hold-ups."

On this, as well as the financial front, co-ops clearly need to adapt if they are to survive and grow.

CDA, Broadmead House, 21 Panton Street, London SW1Y 4DR, tel. 01-839 2987; ICOM, 7 & 8 The Corn Exchange, Leeds LS1 7BP, tel. 0532 461737; Co-operative Advisory Group, Antonia House, 262 Holloway Road, London N7 6NE, tel. 01-609 7017.

The importance of planning

Charles Batchelor reviews a book on strategies for growth

FOR MANY small businesses the problems of day-to-day survival mean that time spent on planning for the future is regarded as an unaffordable luxury. Yet this fire-fighting approach usually means that opportunities are missed, staff motivation and morale are low and business suffers.

By contrast, the successful larger companies do plan systematically and develop their business in line with longer-term goals. Going for Growth* sets out to explain how the small businessman should go about long-term planning and looks in more detail at strategies for generic growth, acquisitions and diversification.

"From the largest international conglomerate down to the smallest one-man business, establishing targets and planning for their achievement is essential to success," author Michael Lawson notes.

He warns, however, that business owners should not neglect shorter-term objectives just because they have developed, say, a five-year plan. The strategic plan should set out the overall direction while more limited objectives should be set for the different aspects of the business, such as marketing, production and finance, over a shorter time.

If you have never planned ahead properly in the past, doing it for the first time may not be easy, Lawson warns. Not only does it demand time which could be spent on apparently more pressing problems, it calls for objectivity concerning the strengths and weaknesses of the business.

It may involve expense if outside consultants have to be called upon to help develop the strategy and it will also require careful monitoring over a long period if its results are to be judged properly.

Rule One is to get started. It is always difficult to know quite where to begin and other more solvable problems always present themselves. But no matter what point you are at in your financial year or what other distractions there are, an immediate start should be made.

Key staff should be involved in the process. Not only will the owner of the business lack objectivity about the problems it faces, every effort must be made to involve other senior employees. If they are not brought in at the planning stage they may feel no responsibility for achieving the goals. They may also argue, rightly, that unrealistic aims have been set.

If no one else is available in the small company then it may be appropriate to use a management consultant as a sounding board. Do not delegate completely any areas of responsibility to him, however, since this could result in some areas of the plan being unfamiliar once the consultant has gone. And choose carefully since anyone can call himself a consultant. Ask for a recommendation from your bank manager or accountant and ask for references from someone in a similar line of business.

Michael Lawson, himself a management consultant, has written a jargon-free, if fairly bloodless, account of how smaller companies should plan for growth. Professional confidentiality no doubt prevents him from giving more colourful examples of companies which have suffered from failing to plan or benefited from his advice.

* *Going for Growth, A Guide to Corporate Strategy. Kogan Page, 176 pages, £14.95.*

Venturing out to fill a local gap

BEXLEY, on the south-east fringe of London, has taken the unusual step of launching a venture capital fund to provide risk capital to local businesses. The aim is to fill the equity gap left by the established venture capital funds and the banks.

Bexley Venture Capital, which is the brainchild of the borough council's economic development unit, plans to offer amounts of between £5,000 and £25,000 to local firms. It has started out with a promise of £300,000 from the council, to be provided in three slices of £100,000 each.

Bexley, like many other councils, provides advice, grants and loans to new companies, but says it had become evident that there was a serious shortage of risk capital. The five-man board of directors of BVC will meet monthly and promises a preliminary decision to applicants within four to five weeks.

While Bexley Venture Capital will restrict its equity involvement in any single company to a maximum of £25,000—though loans will also be available—the equity gap for small firms continues right up to the £250,000 level.

This is because traditional venture capital funds find monitoring too many small investments unduly expensive and time-consuming. The gap is increasingly being filled by the "marriage bureaux" run by many enterprise agencies, which bring together private investors and businessmen.

The clearing banks usually steer clear of equity investments in small businesses but are willing to provide overdrafts or loan finance. This can mean small firms carry an unrealistic level of borrowings.

The move by Bexley represents a small but significant step to redress the balance and put local business on a firmer financial footing.

The Secretary, Bexley Venture Capital, Nexus House, Sidcup, Kent DA14 5DA.

CB

In brief . . .

BSC (INDUSTRY), the steel corporation's agency for revitalising areas where it has closed plant (see this page June 2), has produced a directory of the 300 small businesses operating from its eight managed workshops in England, Scotland and Wales.

The 80-page directory lists companies by name, activity and location and is intended as a source of information for potential suppliers and customers. It is being sent to companies in the eight areas and to more than 400 major companies throughout the UK to encourage them to support smal firms in their purchasing policies.

Contact: John Northcott, BSC (Industry), Canterbury House, 2-6 Sydenham Road, Croydon CR9 2LJ. Tel: 01-686 2311.

BSC (Industry) is also making £80,000 available to the Princes Youth Business Trust this year. The trust helps young people between the ages of 18 and 25 to set up their own business or develop an existing enterprise.

UK NEWS

Cash bids 'boost target company shares 30%'

BY NIKKI TAIT

TAKEOVER bids in which target company shareholders are offered cash rather than equity result in substantially better subsequent share price performance, according to research by Professor Colin Mayer, professor of corporate finance at the City University Business School.

In a lecture at the Centre for Economic Policy Research yesterday, Prof Mayer said the announcement of a cash offer generates an average capital gain of 30 per cent in the share price of the target company during the month of the announcement. Bids which offer shares in the predator produce average rises of 15 per cent.

In the US, the figures are 25 per cent and 11 per cent respectively.

Over a two-year period following a bid, the conclusion is similar, although the figures are more complicated. In the US, the share price of a merged company which has previously bid in paper, under performs a weighted market index by an average 18 per cent. Companies which have made cash offers perform in line with that index.

In the UK figures depend on the type of model used. Broadly, companies making cash-financed offers outperform the FT All-Share Index by 2 per cent, according to one model and by 14 per cent, according to another. Equity-financed offers, however, do consistently worse, resulting in anything from 9 per cent under-performance to 2 per cent out-performance.

Prof Mayer's conclusions are based on a study of 2,500 takeovers by quoted companies in the UK and the US. About three-fifths of the sample is based on US experience from 1962 onwards. The remaining two-fifths includes all takeovers by quoted British companies since 1975, and many since 1955.

Prof Mayer says he has concentrated on cash-only and share-only transactions because those have been the most popular form of deal over the long-term, accounting for 50 per cent of bids in the UK and two-thirds in the US.

However, equity-or-cash offers, which have become increasingly popular in the UK, have performed much in line with cash-only offers, he says. Cash-and-equity bids fall midway between.

His explanation for the under-performance of equity-only bidders is that the stock market periodically misprices securities and companies have a strong incentive to make paper offers when their rating is high.

The subsequent under-performance reflects "an appropriate reassessment of the value of the acquiring firm."

Lex, Back Page

Volvo truck turnover up 14%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO'S UK truck and bus subsidiary last year increased its turnover by nearly 14 per cent and its taxable profit by 44 per cent and lifted the dividend payment to its Swedish parent by 37 per cent.

Mr Bernt Brandtzaeg, managing director, says in his annual report there should be "further strengthening of the group's result in 1987."

Volvo Trucks (Great Britain) imports trucks, coaches and buses and has several wholly-owned distribution outlets and an assembly plant at Irvine, Strathclyde. It increased turnover last year from £162.4m in 1985 to £185m. Taxable profit rose from £3.4m to £4.9m and net profit was up from £2.431m to £3.996m. Dividend increased from £1.38m to £1.9m.

Mr Brandtzaeg says severe competition in the heavy truck market restricted Volvo's ability to lift margins of profit which increased by only 0.2 per cent.

The company should benefit from the decrease in competition in Britain following the mergers of Iveco with Ford and Leyland with Daf and General Motors' decision to stop producing Bedford medium and heavy trucks for Europe.

Volvo (GB) delivered a record 5,144 trucks last year, up from 4,783, in spite of supply shortages for threequarters of the year because the Swedish group was short of production capacity world-wide after the introduction of successful models.

Output at Irvine, the last remaining heavy truck plant in Scotland rose from 1,502 to 2,096, making it one of the largest heavy truck producers in Britain.

Capital expenditure authorised but not contracted was up from £2.85m to more than £6m after the company's decision to move the truck and bus sales departments from Irvine to Warwick.

A subsidiary of the Lex group imports Volvo cars to the UK.

Brymon may buy quiet BAe 146 airliners

By Michael Donne, Aerospace Correspondent

BRYMON AIRWAYS, a regional airline based at Plymouth in which British Airways has a 40 per cent shareholding, is considering buying British Aerospace 146 four-engined jet airliners.

Brymon will pay special attention to noise levels during trial flights at Plymouth airport in the next few weeks, because the airfields it uses are largely in areas where environmental considerations are strong.

Brymon has a small fleet of de Havilland Canada Dash Seven turbo-prop aircraft, which are suitable because of their relative quietness.

Brymon is to use turbo-prop airliners on its short-haul routes to the Continent from London City Stolport in Docklands starting on October 1, and has no intention of putting BAe 146s on those routes.

The Government has insisted that, at least initially, aircraft using the Stolport must be quiet for environmental reasons.

Eurocity Express, part of the British Midland group, has suggested that BAe 146s might be used at Stolport but it could be some time before such a development is permitted, if at all.

So far Brymon has not decided whether to buy the 146, or how many it might need.

The BAe 146 is regarded as the world's quietest jet airliner and has been chosen by many US regional and commuter airlines operating in noise-sensitive communities such as Orange County, California, an airport where no other jet is allowed.

Michael Donne on an engine maker's plan to keep pace with rivals

R-R gears up for greater power

ROLLS-ROYCE executives are confident of board agreement later this summer to a recommendation that the company develops a more powerful version of the long-running RB-211 jet engine, called the 700.

This variant, to be derived from the 524-D4D version of 58,000 lb thrust, will be capable of up to 65,000 lb thrust and could be developed to 70,000 lb thrust.

The aim is to get the engine into service by 1992 at the latest. The estimated development cost has not been revealed, but is likely to be at least £100m.

It is possible that Rolls-Royce, although recently privatised, may exercise its right to seek launching aid from the Government.

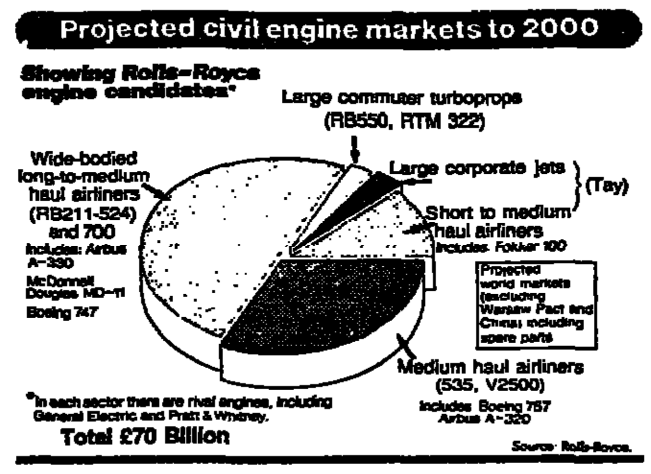
It has become essential for Rolls-Royce to embark on such a venture because of increasing competition from General Electric and Pratt & Whitney of the US, in the "big thrust" sector of the world aero-engine market.

If the company fails to undertake the RB-211-700 project, it could be driven quickly out of this sector of the world market by the US companies, both of which are already spending substantial sums on improving their own competitive engines.

> Demand is growing for bigger, heavier and larger-range aircraft variants

Rolls-Royce estimates the world civil aero-engine business is likely to amount to £70bn through to the end of this century.

About half of that will be spent on "big thrust" engines, not only because such engines are individually expensive but also because airline demand is increasing for bigger, heavier and longer-range aircraft, which in turn require engines of higher power.



To meet this demand, airliners such as the twin-engined medium-range European Airbus A-330, and the three-engined, long-range McDonnell Douglas MD-11 are being launched.

The latest version of the long-range Boeing 747 Jumbo, because it has four engines, can use current versions of big-thrust engines, such as the RB-211-524D4D, which is being developed for service from 1988, but there are bound to be some airlines that will want the Jumbo with even more powerful engines, once they become available.

General Electric is already proposing a more powerful version of its CF6-80C2 with more than 60,000 lb thrust, and Pratt & Whitney is following suit with another version of its PW-4000, for delivery in the late 1980s and early 1990s.

Although Rolls-Royce is already winning orders for the RB-211-524D4D in Boeing 747-400s, it wants to expand its market share, and to see the RB-211 installed on the Airbus A-330 and MD-11—markets it has not yet penetrated.

It believes it can do so by leapfrogging whatever the opposition offers—which means developing the RB-211-700 up to 65,000 lb thrust from the start and taking it to 70,000 lb thrust if necessary.

Mr Ralph Robins, managing director of Rolls-Royce, believes the engine could capture the lead in the world market for big-thrust engines.

"This engine, which would be aimed primarily at high gross-weight twins, such as Airbus A-330s, and tri-jets, such as McDonnell Douglas MD-11s, would have the capability of providing greater thrust and fuel efficiency than any competitive power-plants currently foreseen," he says.

"Its development, based on the RB-211-524D4D core, would be fully in keeping with Rolls-Royce's philosophy of evolving today's technology into tomorrow's innovation, thus ensuring a reliable and cost-effective machine.

"We fully intend the RB-211 family and its derivatives to be powering aircraft well into the 21st century and beyond."

Throughout recent weeks, teams from the company have been analysing the technical, financial and marketing aspects of the proposed engine, and have been discussing it with airlines including British Airways, Airbus, Boeing and McDonnell Douglas.

The results have all been favourable. The airlines and manufacturers want the engine to be developed to give the widest choice of power plant for their aircraft, and they are all expecting Rolls-Royce to go ahead.

British Airways is one of the most interested airlines. It is looking at all the available aircraft and engines that might be suitable for replacing the long-range versions of its ageing Lockheed TriStars, which also use earlier versions of the RB-211.

The airline would need up to 10 aircraft, worth about $1bn, for this programme and would prefer Rolls-Royce engines to ensure compatibility with all its existing engineering facilities and engineering staff expertise.

> British Airways and other airlines have shown interest in the company's plan

To change to engines from another manufacturer would add to the expense of retraining and re-equipping its maintenance base with spares and other equipment.

BA has had other offers from the other engine companies, however, and it is not going to buy Rolls-Royce just because they are British. It will push Rolls-Royce hard on such matters as price, specification and delivery dates, and only if the engine is the best will Rolls-Royce win any order.

● FT LAW REPORTS

Oilfield costs qualify for tax supplement

MOBIL NORTH SEA v INLAND REVENUE COMMISSIONERS

House of Lords (Lord Keith of Kinkel, Lord Fraser of Tullybelton, Lord Brandon of Oakbrook, Lord Templeman and Lord Oliver of Aylmerton): July 9 1987

EXPENDITURE BY an oilfield operator on construction of a drilling platform qualifies for petroleum tax supplement if the main contract under which he became committed to such expenditure came into force and the expenditure was incurred within the qualifying period, irrespective of whether subcontracts and agency contracts implementing the main contract were entered into after that period.

The House of Lords so held when allowing an appeal by Mobil North Sea Ltd from a Court of Appeal decision ([1987] 1FTLR 135) upholding Mr Justice Harman's decision ([1986] 1FTLR 240) that Mobil was not entitled to supplement for petroleum revenue tax purposes in respect of certain expenditure on constructing a platform in the North Sea.

LORD TEMPLEMAN said that by the Oil Taxation Act 1975 the Government imposed a petroleum revenue tax (PRT) on profits accruing to operators of oilfields. Certain types of expenditure qualified for deductible allowance described as "supplement."

Section 4 of the Act provided that such expenditure included "expenditure incurred . . . in acquiring . . . an asset . . . to be . . . used in connection with the field and whose useful life continues after the end of the claim period . . ."

Expenditure incurred in bringing into existence a platform with ancillary work for the extraction and transportation of oil thus qualified for supplement.

The rate for PRT was 45 per cent in 1975, and was increased to 60 per cent in 1979, 70 per cent in 1980 and 75 per cent in 1982. Amending legislation which reduced allowances or supplement was accompanied by transitional provisions.

The supplement created by the Act of 1975, having been reduced in 1979, was withdrawn by section 111(1) of the Finance Act 1981 for expenditure incurred "after the end of the chargeable period."

Transitional provisions were introduced by section 111(7) of the 1981 Act, which provided that subsection (1) should not disqualify expenditure incurred before January 1 1981, or incurred before January 1 1983 "in pursuance of" a contract entered into before January 1 1981.

In the present appeal Mobil claimed the benefit of the transitional provisions of section 111(7).

Mobil was the operator of an oilfield known as the Beryl Field. It installed an oil platform, Beryl A, which came into production in 1976.

By an agreement (the "Bechtel agreement") which came into force in 1980, Mobil commissioned a second platform known as Beryl B. Bechtel Great Britain Ltd agreed to carry out the engineering and construction work in two phases.

The agreement provided that for phase II Bechtel should accept complete responsibility as principal for its agents and subcontractors, except that it should contract as agent for Mobil for engineering and construction of the platform, and for construction of deck sections and modules.

The only difference between agency and subcontracts entered into by Bechtel was that Mobil could sue and be sued on the agency contracts but not on the subcontracts.

Bechtel warranted to Mobil performance of all contracts and subcontracts, and the Bechtel agreement provided for the whole Beryl B platform to be completed.

The special commissioners found, and it was not disputed, that the responsibility of the contractor in regard to its duties was the same under either form of contract. The difference extended only to the commercial terms of the arrangement between Mobil and Bechtel.

In implementation of the Bechtel agreement, Bechtel entered into contracts, including some contracts as agent for Mobil.

By the end of 1982 some £232m had been expended on the Beryl B platform. Of that, £47m was expended by Mobil in conformity with the provisions of the Bechtel agreement during the claim period ending June 30 1982.

Mobil claimed supplement for the £47m under section 111(7) of the 1981 Act as expenditure incurred "in pursuance of" the Bechtel agreement, a contract entered into before January 1 1981.

The Revenue rejected £26m of the £47m as expenditure on the ground that the £26m had been spent "in pursuance of" agency contracts entered into after January 1 1981.

The special commissioners upheld Mobil's claim to supplement for £47m. Mr Justice Harman and the Court of Appeal agreed with the Revenue that £26m should be disallowed. Mobil now appealed.

The question was whether money paid in the six months ending June 30 1982 by Mobil to Bechtel in implementation of the Bechtel agreement made before January 1 1981, and paid by Bechtel to the manufacturers of a module in implementation of an agency contract made after January 1 1981, was expenditure by Mobil incurred "in pursuance of" the Bechtel agreement, of "in pursuance of" the agency contract.

The expenditure might fairly be said to have been in pursuance of the Bechtel agreement and the agency contract, or in pursuance of the Bechtel agreement or the agency contract.

When the language of a statute was clear the court must give effect to that language. But where the language of a statute applied to the circumstances before the court was ambiguous, the court was entitled and bound to resolve the ambiguity by reference to the intention of Parliament as it appeared from the statute.

In the present case the intention of Parliament appeared clear. Section 111(7) had the effect and must have been intended to have the effect of preserving supplement for expenditure to which an operator was contractually committed before January 1, 1981, provided it was incurred before January 1 1983.

Section 111(7) should be applied by the court to give effect to that intention.

By the Bechtel agreement made before January 1 1981, Mobil contracted in good faith to pay for the construction of the Beryl B platform. By January 1 1981 Mobil was contractually bound to pay for the construction of the Beryl B platform in pursuance of the Bechtel agreement.

Under the Bechtel agreement Mobil could not choose to pay for agency contracts but decline to pay for subcontracts. From the point of view of Mobil, £47m was expended in the chargeable period ending June 30 1982 in accordance with and by virtue of the terms of the Bechtel agreement in the construction of the Beryl B platform.

It mattered not whether part of the £47m was paid in respect of Bechtel's own services, part in respect of subcontracts negotiated by Bechtel before January 1 1981, part in respect of subcontracts negotiated by Bechtel after January 1 1981, part in respect of agency contracts entered into in 1981 and 1982.

The Bechtel agreement required Mobil to pay the whole of the £47m. Therefore the whole of the £47m was preserved for supplement by section 111(7) as expenditure incurred by Mobil in pursuance of the Bechtel agreement for construction of the Beryl B platform.

There was no reason for distinguishing between the subcontracts and the agency contracts. Both kinds of contract were entered into in pursuance of the main contract. The expenditure incurred by Mobil in respect of both kinds of contract was, for the purposes of section 111(7), expenditure incurred in pursuance of the main contract.

The appeal was allowed.

Lord Keith, Lord Fraser and Lord Brandon agreed. Lord Oliver gave a concurring judgment.

For Mobil: Robert Alexander QC, Peter Leaver QC and Stephen Allcock (Wedlake Bell).

For the Revenue: Christopher Clarke QC and Ian Glick (Inland Revenue Solicitor).

By Rachel Davies
Barrister

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BT under pressure to forego price increases

BY DAVID THOMAS

BRITISH TELECOM will come under pressure to keep its prices stable for the coming year although it is entitled to increase charges for its main inland services by up to 1.36 per cent.

BT managers are considering what price changes to make. However, consumer groups are citing the company's large profits and alleged poor service in urging BT to forego any increases.

BT usually makes tariff changes in early November and last year announced proposals for the November changes in early September.

The changes are controlled by a formula of retail price index minus three. This means that the annual average price change for a "basket" of the company's main inland services must be kept to a level less than 3 percentage points below the change in the RPI.

The 4.2 per cent rise in the RPI during the year to last month, the base period used for calculating the formula, would force BT to keep next year's increases in the basket of prices to less than 1.2 per cent.

However, BT could add 0.16 per cent to that figure, because for the current year it cut its prices by slightly more than it had to under the formula and is entitled to carry the difference into the coming year.

The Telecommunications Users' Association, representing mainly business customers, said it had sought meetings with BT and with the Office of Telecommunications, the industry's regulatory body, to argue that there should be no price increases.

Ms Vivienne Peters, a director of the association, said it would be pointing to BT's large profits and allegations of poor quality of service at the meetings. BT made pre-tax profits of £2.07bn on sales of £9.42bn in the year to the end of March.

The National Consumer Council, which recently released a survey of public opinion suggesting widespread dissatisfaction with BT service quality, said: "BT should not put up its prices until it can clearly demonstrate that the quality of the service it provides has not declined."

BT will also have to decide whether to continue with the programme of rebalancing its tariffs under which it has been bringing its charges into line with costs. This has involved increasing charges for some services, such as local calls and line rentals, but cutting them for others, such as long-distance calls.

Oftel has indicated that it believes the rebalancing of long-distance and local calls is almost complete.

Canadian group seeks stake in £3bn offices plan

By Andrew Taylor

TALKS ARE taking place between Canary Wharf Development Consortium and Olympia and York, a Canadian property and resources group, to try to rescue the troubled £3bn Canary Wharf office development planned for the Isle of Dogs in London's docklands.

Olympia and York, controlled by the Reichmann family, is seeking to take a large stake in what would be Europe's biggest commercial property development providing more than 8m sq ft of office space.

The scheme has run into difficulty following a decision by the Credit Suisse First Boston and Morgan Stanley banks, to withdraw from the development team.

The banks are understood to have told their partners that they wished to restrict their role in the scheme to owning and occupying premises.

The other members of the consortium are First Boston International, a bank, and G. Ware Travelstead, a US development company.

When the scheme was first announced it was planned that the area should rival the City in providing London's most prestigious office addresses.

The withdrawal of Credit Suisse and Morgan Stanley and delays in concluding lettings for the £1.8bn first phase of the development has meant that the consortium has been unable to sign the master building agreement to allow construction to start.

Plans to extend the docklands light railway from Tower Hill to Bank station in the heart of the City depend on the Canary Wharf development going ahead.

Olympia & York, which owns a lot of property in New York, tried to join the Canary Wharf consortium previously but its plans to take a stake were rejected at the beginning of last year.

Spy book contempt action delayed

BY RALPH ATKINS AND RAYMOND HUGHES

SIR PATRICK MAYHEW, the Attorney General, is delaying taking court action against The Sunday Times for publishing extracts from the memoirs of Mr Peter Wright, former MI5 officer, until the Court of Appeal has ruled on a similar case involving The Independent and two other newspapers.

Papers for criminal contempt of court were lodged yesterday with the High Court but no further steps will be taken until the Master of the Rolls, Sir John Donaldson, and two other Court of Appeal judges have decided if The Independent, The London Evening Standard and The London Daily News could have been in contempt for publishing extracts from the book, Spycatcher, earlier this year.

The Attorney General is, however, considering seeking an injunction to stop The Sunday Times publishing further extracts from the book this weekend.

Spycatcher is to be published in the US this week by Viking Penguin, a New York subsidiary of Pearson.

In the book Mr Wright makes a series of allegations about illegal activities by the security services including the bugging of embassies in London.

Mr Andrew Neil, editor of The Sunday Times, yesterday declined to say whether further extracts would be published now that contempt of court proceedings had started as he did not want to be seen to be laying down a challenge to the Government.

No action has been taken by the Government to stop the book being imported into the UK although it has the power under the Import of Goods (Control) Order 1954 to add it to the list of prohibited goods.

A ban could be brought into effect almost immediately if the Government decided it was necessary for national security.

In the Court of Appeal yesterday lawyers for the Attorney General, The Independent, The London Evening Standard and The London Daily News were called back after the judges decided they need further help on particular points.

They said that the ruling by Sir Nicholas Browne-Wilkinson, the Vice Chancellor, appeared to indicate that the publications would not constitute contempt of court even if the newspapers had specifically intended to interfere with the administration of justice.

The additional argument, which is expected to continue into tomorrow, concerns what, if any, intent has to be proved against the newspapers before they can be held to be in contempt.

Mr John Laws, for the Attorney General, said that it was a necessary consequence of Sir Nicolas's judgment that publishers in the position of the three newspapers could not be in contempt whatever their intentions.

That, Mr Laws said, would indicate a gap in the law and ought to persuade the appeal court that Sir Nicolas had gone too far.

The hearing continues today.

Parliament, Page 12

A. H. Hermann comments on the action over the Wright memoirs

Case which threatens courts' role

TO GIVE UP a project on which a lot of effort and money was already spent is one of the most difficult decisions to take. That may explain the stubbornness with which the Government persists in its attempts to silence Mr Peter Wright, the ex-MI5 man with a long memory: it finds it impossible to admit that the considerable political capital already invested in this adventure has been completely wasted.

Such perseverance is understandable, but why did the Government embark on the Australian litigation in the first place? Its pleas of security interests failed to convince the court and the public —the truth or otherwise of Mr Wright's suspicions that there were undiscovered spies in high places, must have been known to the KGB a long time before Mr Wright conceived them. And they have in Moscow several former members of the "firm" to tell them about its daily routines and addiction to The Times cross-word puzzle.

The allegations that MI5 tried to subvert Mr Harold Wilson, when Prime Minister, were bandied about in parliament and in the press for years. Judging from the extract printed in the Sunday Times the day before yesterday, Mr Wright has nothing much to add to them. Indeed, most people expected a bigger story than he has to tell.

There remains the argument that, as a matter of principle, members of the security services must be made to keep their promise not to disclose what they learn. Here the means available to the Government are pitifully inadequate—unless it prevents those in possession of secrets to leave the country and threatens them with penal sanctions.

There is not much hope that it can compel them to keep their promises. Certainly not by trying to stop publication of their memoirs, the essence of which they must have told to many on earlier occasions. A wider publicity of their indiscretions could be easier prevented by buying copyright from them or from their publisher. However, even this would not work in all countries.

A law which cannot be enforced brings all law into disrepute.

Whichever way one turns the question, the answer to it remains elusive: what is the good of stopping publication in Australia if you cannot stop it in the US? And what is the good of stopping it in any of the allied countries as long as there exists a number of English language publishers in the rest of the world eager to pick up the manuscript?

However, the Government's argument that it is trying to protect the respect of confidentiality also lacked credibility as other publications, about very much the same, and in the UK, too, were not obstructed by the Government. One can conclude from this that the Government did not mind so much the public discussion of the confidences as the way in which these were presented and by whom.

With each further step the Government was aggravating its already bad position. When it obtained last year a court order prohibiting the Guardian and Observer from publishing parts of the manuscript it only whetted the appetite of other papers. When they did publish and were taken to court by the Attorney General, the judge held that they were not in contempt of court.

It was not just any judge who said that the prohibition addressed to one newspaper does not have a general application to all other newspapers, but the Vice-Chancellor, Sir Nicholas Brown-Wilkinson, who sits on the bench once occupied by the Lord Chancellor.

It is hardly surprising, therefore, the The Sunday Times claims that, as long as his judgement is not reversed, this is the law of the land and it is free to publish. It could fall foul of the law only if the Attorney General succeeded in proving that the motives and effect of publication by the Sunday Times were different from those which the Vice-Chancellor held to be inoffensive.

This will be all the more difficult to prove as the book from which it printed an extract is being published today in the US. Will the Attorney insist that the British public must not read a book freely circulating abroad? Will the Customs and Excise confiscate copies brought into this country?

The Attorney General insists that he will bring an action against the Sunday Times in his capacity as law enforcement officer and not as a member of the Government. However, any success on the legal plane is bound to be a political embarrassment. It would mean that the courts can be used for the purpose of censorship, a role for which they are patently unsuitable.

GLC properties sold for £48.5m

BY RICHARD EVANS

THE LARGER part of the portfolio of industrial properties owned by the defunct Greater London Council has been sold to Inner City Enterprises of £48.5m.

Included in the deal announced yesterday are 63 estates and individual properties, mostly in inner London, consisting of workshops, partnership schemes involving both private and public sectors, development sites, ground leases and other properties.

The net proceeds will be distributed to London boroughs by the London Residuary Body, which has been responsible for disposing of the GLC's assets.

ICE was established in 1983 to promote commercially worthwhile property development and investment opportunities in inner city areas. The company is owned by 60 pension funds, insurance companies and other financial institutions.

To fund the purchase, ICE said yesterday it had created two companies. London Industrial, an associated company of ICE, will receive 19 companies from the portfolio and hold them as permanent investments.

These will include 657 small workshop units in a combination of multi-storey complexes and single storey nursery estates originally established by the GLC and its predecessor, the London County Council, to provide accommodation for small businesses in central London.

London Industrial will provide a specialist management structure and will run many of them on the "industrial hotel" principle with easy entry and departure arrangements for tenants.

Capital has been provided by a syndicate of seven insurance companies, headed by Prudential Assurance and Norwich Union, and other institutional investors including two inner London borough pension funds.

The second company is Rysbridge Properties which will receive the remainder of the portfolio, much of which will require development. These properties will be managed by Letice, a new company owned jointly by Ice and London and Edinburgh Trust.

Mr Charles Brocklehurst, managing director of Ice, said the company's experience would be valuable in any drive to improve the inner cities. "We have brought the institutions into a form of industrial property, which individually they would have baulked at due to its intensive management. In doing so, we have created an organisation sensitive to the needs of small businesses in London."

Medium-term bond futures market planned

By Alexander Nicoll

THE London International Financial Futures Exchange, which yesterday launched Japanese government bond futures, also plans to introduce a futures contract on medium-term UK government bonds towards the end of the year.

Talks are also continuing with the Stock Exchange on the possible creation of a single market in London for derivative products such as futures and options following a recent nudge from the Bank of England towards closer co-operation.

The Stock Exchange operates a market in traded options which is the only sector still to transact business on the exchange floor.

Liffe's new contract, based on seven-year to 10-year securities, will be timed to precede the Bank's first auction of medium-term gilts, expected in January. Securities traders and investors bidding in the auction would be able to hedge or augment their positions in the futures market.

Mr Brian Williamson, Liffe chairman, and Sir Nicholas Goodison, Stock Exchange chairman, have been holding talks for some months on collaboration on the two exchanges' products, clearing and regulatory arrangements.

The Stock Exchange is understood to favour a merger of the markets under its own umbrella. This could create awkward problems for Liffe, however, because of its membership structure of seats which have risen considerably in value, and because of fears that the bureaucracy of a larger unit could cramp its style.

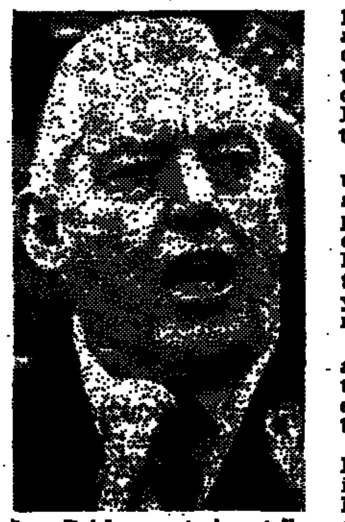
Other options spelt out in a letter from Mr Williamson to Liffe members were the absorption of the Stock Exchange's traded options market into Liffe and the creation of a new exchange out of Liffe and the traded options market.

N-waste dump

LOW-LEVEL nuclear waste from the British Geological Survey of Keyworth, Nottingham, is to be dumped at Drigg, west Cumbria, although residents oppose the plan.

Paisley demands suspension of accord

BY HUGH CARNEGY IN BELFAST



Ian Paisley: entering talks "cautiously and honestly"

THE Government must suspend the Anglo-Irish Agreement and the Belfast secretariat which services it, before full negotiations with Northern Ireland unionists can begin, the Rev Ian Paisley said yesterday.

The leadre of the Democratic Unionist Party was making clear the position of unionist leaders on the eve of exploratory talks with senior Northern Ireland Office officials. The two sides will discuss whether they can agree a framework for negotiations on a way out of the political impasse in the province.

Mr James Molyneaux, leader of Official Unionist Party, called on both London and Dublin to consider a proposal by senior Protestant churchmen for a fresh agreement.

Today's meeting, the first between the two sides for 18 months, is expected to be a preliminary encounter in London before more discussions later this summer.

Given the Government's commitment to the accord, and that of Dublin and the nationalist Social Democratic and Labour Party, much ground will have to be given by one or both sides if the talks are to succeed.

Mr Paisley and Mr Molyneaux were speaking at annual parades in the province attended by tens of thousands of Protestants in commemoration of the victory of William of Orange over Roman Catholic King James II at the Battle of the Boyne in 1690.

Unlike last year, when unionist anger over the 1985 accord resulted in violence, police said the parades passed off without serious incident. In Portadown, Co Amagh, where the worst clashes occured last year, Orange Order marchers made only a token protest

Mr Paisley told Orangemen at Portglenone, Co Antrim, that he and Mr Molyneeux were entering today's "talks about talks" cautiously and honestly.

He said: "The unionist leaders will not be entering into any negotiations with the British Government until the agreement ceases to be implemented and Maryfield ceases its operations." Maryfield, where British and Irish officials work side by side, is a symbol to unionists of what they see as the unacceptable role in northern affairs given to Dublin in the agreement.

Jailed politicians renew innocence protests

BY CLIVE WOLMAN

MR JOHN STONEHOUSE and Mr T. Dan Smith, two former leading Labour politicians who were imprisoned for corruption and fraud in the 1970s, yesterday revived their protests of innocence in a joint appearance at a conference on corruption and fraud organised by the University of Liverpool.

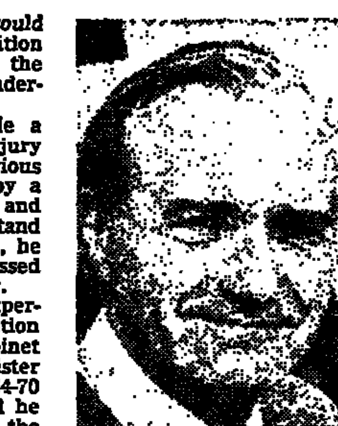
The conference was boycotted by government officials because of their appearance. The two men claimed that they had been victims of a MI5 destabilisation campaign. They pointed to claims recently published from the suppressed memoirs of Mr Peter Wright that their names had appeared on the list of MI5 targets.

Mr John Stonehouse, speaking for the first time about his offences since his fraud trial 10 years ago, said that MI5 agents had gone to Australia, where he went after staging his drowning, to seek evidence that he was a Czech spy.

"The establishment decided that they had to get rid of me as an MP," he said. "They went to it like hound dogs. I would be in a much better position to defend myself now and the public would be more understanding."

Mr Stonehouse, 62, made a scathing attack on the jury system. He called for serious fraud trials to be heard by a panel of businessmen and others who would understand the intracacies. In his trial, he said, most of the issues passed over the heads of the jury.

He also spoke of his experience of bribery and corruption as a politician and cabinet minister. When he was Minister of Aviation during the 1964-70 Labour government he said he was involved in negotiating the sale of aircraft to Saudi Arabia worth several hundred million dollars in which bribery was used to secure the contract. As president of the London Co-operative Society, he said, he discovered systematic large pilfering of groceries by the staff.



John Stonehouse: reviving protests of innocence

Mr T. Dan Smith, 72, former leader of Newcastle City Council, said he met Mr Stonehouse in Wormwood Scrubs prison where the two men were serving their sentences, each of which lasted for approximately three years.

He said an MI5 agent first informed him that he was the subject of secret service surveillance in 1963, seven years before his arrest. He said MI5 had tried to implicate him in corruption even at that time.

The corruption of Mr John Paulson, the architect who employed Mr Smith, should have been exposed by government departments, Mr Smith said. But although some junior employees were anxious to pass on information they had uncovered, they were blocked by pressure from above. Mr Smith said that Mr Poulson's affairs would never have come to light were it not for the press and Mr Poulson's bankruptcy.

However, Mr Smith claimed that he had been singled out and prosecuted unfairly. He had only pleaded guilty to a few of the many charges against him, most of which were dismissed, because he had been worn down by ceaseless interrogation, and pressure, he said.

MPs seek pension proposal changes

BY ERIC SHORT

MPS ON both sides of the Commons will try to make significant changes to the Finance Bill proposals during the committee stage which starts today.

Sir Brandon Rhys Williams, Tory MP for Kensington, is seeking to remove all benefit restrictions on the free-standing additional voluntary contributions introduced in the bill. AVCs would allow employees to boost their pension benefits by paying extra contributions.

Under the terms of the bill there is both a contribution and a benefit limit on the AVCs.

If the pension secured by the AVC combined with the pension from the main company pension scheme exceeds the Inland Revenue limit — the maximum limit being two-thirds of the employee's final earnings — then the company scheme pension has to be cut back within the limit.

The National Association of Pension Funds has lobbied hard to get this restriction removed. It claims that it will have little effect in practice, except to impose an intolerable burden on pension trustees checking that limits have not been exceeded.

The association claims that retaining the limit, which the Revenue considers essential, will ensure that the free-standing AVCs scheme will be unworkable. The association has wholeheartedly welcomed Sir Brandon's amendment.

The other important amendment has been moved by Mr Tony Blair, Labour MP for Sedgefield. Its purpose is to mitigate the effects of the new requirements in the bill which extend the period over which employees can qualify for maximum pension.

The main proposal is that the qualifying period for the maximum pension is extended from 10 years to 20 years.

The association and other leading pensions bodies claim that this proposal, if not amended, will result in job immobility among senior executives.

Mr Blair is, therefore, seeking that membership of former employers' pension schemes should be taken into account in calculating the 20 year qualifying period.

Buyers emerge for royal dressmaker

By Alice Rawsthorn

A NUMBER of prospective purchasers have emerged for Norman Hartnell, dressmaker to a generation of women including the Queen Mother and Miss Barbara Cartland the romantic novelist, which was granted an administration order three weeks ago.

Mr David Morgan, a partner at Spicer and Pegler, the accountancy firm, who has been appointed as administrator of the company, said seven prospective purchasers had indicated interest in acquiring the Norman Hartnell business.

Three weeks ago Mr Morgan was instructed by the court to prepare a survival plan for Norman Hartnell which was said to be "seriously insolvent." The High Court will today consider two applications from Ropemaker Properties, landlord of Norman Hartnell's showrooms in Mayfair, London.

MoT test fees to rise by 5% next month

THE FEES for MoT tests will be increased by more than 5 per cent from August 3. Tests for cars, light vans and motor cycle combinations will rise from £11.90 to £12.52; and tests for solo motor cycles will rise up from £7.10 to £7.48. The previous increase was last July.

ITN completes deal to buy former Times building

BY RAYMOND SNODDY

INDEPENDENT TELEVISION News has completed arrangements to buy the former Sunday Times building in Gray's Inn Road, central London, from News International.

ITN has been negotiating for the building for months and plans to turn it into a £50m headquarters. It will probably be 1989 before it can move in.

ITN, a subsidiary of the ITN companies, has outgrown its present premises. Apart from its news programmes for ITV, the company produces Channel 4 News and Super Channel News, the daily news programme for the British satellite channel aimed at western Europe.

Mr David Nicholas, ITN's editor and chief executive, said: "The new building will secure ITN's operations into the 1990s and beyond with the latest in facilities and technology."

ITN also announced yesterday that Mr Richard Tate, who ran the BBC election night results programme is to become editor of Channel 4 News.

Textiles mill to cost £5m

BY ALICE RAWSTHORN

F. DRAKE, a privately-owned textiles group, plans to invest £5m over the next three years to develop a mill in the Colne Vallyey near Huddersfield. When the mill is completed it will create 80 jobs.

The mill will be the first textiles factory to be built in the Colne Valley since the Second World War. By tradition the area is an important centre for wool production but its textile industry has declined in the past two decades.

Drake has decided to build another factory to boost production of its multi-filament industrial yarns. Three years ago the company developed Leolene, a high tenacity, polypropylene yarn, used for lifting equipment and fishing nets.

Demand for the yarn is expected to increase markedly, according to Mr James Haigh, managing director, as it replaces nylon and polyester in industrial use. The existing Drake production plant is working at full capacity and the company needs additional facilities to increase output and to keep ahead of its competitors in West Germany and Spain.

The mill will be developed in two phases. The first should come on stream next January, and will increase production from 35 to 80 tonnes a week and create 40 jobs. The second phase, scheduled to open in 1990, will add another 40 jobs and should boost output to between 120 and 160 tonnes a week.

Measures to tackle prison 'crisis' planned

By Fiona Thompson

THE GOVERNMENT is considering a number of emergency measures to deal with overcrowding in prisons.

The Home Office said yesterday the prison population had reached record levels. The most recent figures showed 50,381 people in custody in England and Wales last Friday —almost 9,000 more than the total number of official Home Office prison places. This excluded 648 people held in police cells.

The Home Office said there were a number of contingency plans, but refused to confirm a report in yesterday's Guardian saying thousands of non-violent offenders might be given early release due to overcrowding and a former Falkland Islands ship and an army camp might take the overspill.

The Home Office did confirm that the Rollestone army camp on Salisbury Plain had been brought into use for just such a purpose in 1981 during a similar period of overcrowding.

It also confirmed that the Home Secretary had the power, under the Criminal Justices Act, to order the early release of prisoners. "But ministers would be reluctant to use it. No decisions have yet been made on the options available," the Home Office said.

The prison population has increased by more than 3,000 in the past six months.

Earthmoving equipment plant to be sold

BY NICK GARNETT

MR ROBERT MAXWELL, the printing and publishing magnate, flew into Ipswich by helicopter yesterday to confirm the closure of Ransomes and Rapier's factory there, which manufactures large earth-moving machinery.

Ransomes was purchased by Mr Maxwell in May as part of a complex deal in which BPCC, the printing and publishing company, acquired a number of operations owned by the troubled Central and Sheerwood group.

As part of those transactions, Stothert and Pitt, a manufacturer of marine cranes and compaction equipment, purchased Ransomes for £1.95m.

Ransomes makes crawler draglines, walking draglines and crawler cranes. It claims to be the only manufacturer in the western world outsde the US still making walking draglines, which are huge machines of 600 tonnes or more, used in opencast mineral extraction.

Stothert and Pitt intends to close the Ipswich plant and transfer production to its own factory in Bath. It is offering 230 jobs at Bath to the Ipswich workforce of 350.

BPCC said that in the year to December 1986, Ransomes made a loss of £3.2m after exceptional items, but before taxation.

The company said last year's results were seriously affected by a lack of significant deliveries of walking draglines, but the company's order book had recently improved substantially.

Industry analysts are not surprised that the production sites of the two companies are being rationalised in this way.

Mr David Phillips, of the Corporate Intelligence Group, said both factories were underutilised and the Ipswich plant was outdated. It would make sense to close one site, sell the land and use that money to buy production machinery.

The closure has generated a lot of ill feeling in Ipswich. The workforce believed that Stothert and Pitt and its parent company, Hollis, had strongly implied at the purchase that the Ipswich plant would be retained.

In announcing the conditional contract to purchase Ransomes in May, BPCC issued a statement saying: "The business of Ransomes is complementary to that of Stothert and Pitt. Although Ransomes has been unprofitable in recent years, the directors of Stothert and Pitt believe that under the management of Stothert and Pitt's cranes division Ransomes' turnover and trading results can be substantially improved and that the acquisition will be of significant benefit to Stothert and Pitt."

UK NEWS

Kinnock urges new team to prepare for 1990s

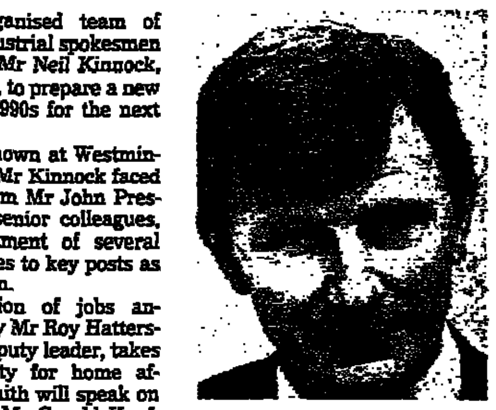
BY PETER RIDDELL, POLITICAL EDITOR

LABOUR'S reorganised team of economic and industrial spokesmen has been told by Mr Neil Kinnock, the Labour leader, to prepare a new strategy for the 1990s for the next general election.

This became known at Westminster last night as Mr Kinnock faced open criticism from Mr John Prescott, one of his senior colleagues, over the appointment of several centre/right figures to key posts as Labour spokesmen.

In the allocation of jobs announced yesterday Mr Roy Hattersley, the party's deputy leader, takes over responsability for home affairs, Mr John Smith will speak on economic affairs, Mr Gerald Kaufman will handle foreign affairs and Dr John Cunningham retains the environment portfolio. All are supporters of the centre/right Solidarity Group.

Other key economic posts will go to centre/left supporters. Mr Bryan Gould, the former campaigns co-ordinator who easily topped the poll in last Wednesday's elections for party spokesmen, will take over from Mr Smith in covering trade and industry, while Mr Gordon Brown, a new Labour spokesman, will oppose the Chief Secretary to the Treasury.



Bryan Gould: covering trade and industry

Mr Smith, Mr Gould, Mr Brown and Mr Tony Blair, who is expected to become spokesman on City of London affairs, have been appointed by Mr Kinnock to work together with specific responsiblility for preparing a new economic and industrial strategy for the party. They feel that the economy and privatisation was a particular area of weakness for Labour in last month's election defeat.

At a meeting of the centre/left Tribune Group last night, Mr John Prescott, who came second in last Wednesday's elections for party office, protested at his own treatment, having been shifted sideways from employment to energy. He said, however, that while it was not the job he wanted, it was an important one and he would do it.

Mr Prescott, who has a reputation for having a short fuse, apparently said the centre/right had too many of the senior posts and the centre/left too few. In last Wednesday's elections, Tribune-backed candidates won nine out of 15 places and four of the Solidarity-supported Labour spokesmen in the last parliament were defeated.

After last night's meeting, members of the Tribune Group were reluctant to discuss Mr Prescott's comments, apart from saying that he had got it off his chest.

Mr Kinnock has carefully balanced experienced centre/right figures in senior posts and younger centre/left new spokesmen in more junior, although politically sensitive, positions. For instance, Mr Jack Straw will handle education and the Government's far-reaching legislative changes this autumn. Similarly, Mr Robin Cook will deal with health and social security.

Sharp jump in input prices poses threat of rising inflation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturers saw a sharp jump in their fuel and raw material costs last month as international commodity prices strengthened.

Most of the increase was absorbed by industry rather than passed on to customers, but the figures underline the deteriorating international environment faced by the Government in its efforts to curb inflation.

The Department of Trade and Industry said that its index of manufacturers' input costs climbed by 0.9 per cent between May and June, largely due to more expensive imported materials. The rise pushed up the year-on-year change to 4 per cent, compared to 1.3 per cent in May.

The seasonally-adjusted index of costs, introduced by the department last year, saw an even sharper jump of 1.9 per cent, taking the annual rate to 4.1 per cent.

The size of the latest increase may be erratic – the monthly figures have shown sharp variations this year – but the underlying trend is firmly upwards.

At this time last year input prices were falling at an annual rate of up to 10 per cent in response to the collapse of the oil price and to weak international prices for other commodities.

Since then the oil price has recouped about half of its losses, while prices for non-oil commodities have begun to level off and in some cases to recover.

An analysis published yesterday by Greenwell Montagu, the City of London securities house, points to recent strong rises in the prices of metals, cotton and rubber. That trend appears to be confirmed by yesterday's figures which show that manufacturers of metal products, of textiles, clothing and shoes, and of rubber and plastic products, were among those facing the sharpest rise in input costs.

For the time being manufacturing companies, whose labour costs have been held down by large productivity gains, appear to be absorbing the increase. The Department's index of output prices rose by only 0.1 per cent from 3.8 per cent in May.

The risk, however, is that if input prices continue to rise at their recent pace the increases will be passed on to factory gate prices, putting direct pressure on retail price inflation.

That danger is likely to reinforce the Government's cautious stance on interest rates and could persuade it to seek to keep sterling's value near to the top of its recent trading range in order to curb rises in import prices.

Next plans retailing experiment through Dillons newsagents

BY CLAY HARRIS

NEXT, the innovative fashion and furniture stores group, yesterday set the stage for a new experiment in retailing with the £28.5m acquisition of the Dillons Group of newsagents.

Next will use the chain, the seventh largest in Britain with less than 1 per cent of the market, to bridge the gap between its retail stores and its growing mail-order business, centred on Grattan, which Next bought last year for £300m.

The 270 shops in the West Midlands and south-east of England will become local delivery and collection points, both for Grattan and for the catalogue operation which Next plans to launch under its own name in January.

Next emphasised yesterday that it envisaged few changes in the operation of the newsagents themselves, which would continue to be run by the same management.

The acquisition followed market research which uncovered demand for mail-order deliveries at customers' convenience. The plan develops Grattan's existing use of "super agents" to co-ordinate local deliveries.

Grattan is Britain's fourth largest mail-order company with about 10 per cent of a market worth £3.3bn last year. In the five months to January 31, it accounted for 44 per cent of Next's operating profit of £32.7m – a larger contribution than the group's retail outlets.

Next bought the newsagents, which trade under the Dillons, Mallows and Argus names, from Yattendon Investment Trust, the Iliffe family holding company which owns the Birmingham Post and Mail group. Next approached Yattendon when it learned that the newsagents might be up for sale.

Dillons achieved net profits of £3.1m on sales of £80.1m in the year to June 30, 1986. It had net assets at that date of about £20m.

Next shares rose 5p yesterday to close at 357p.

Lex, Page 20; Analysis, Page 30

Mercantile House says merger talks are off

BY NICK BUNKER

MERCANTILE HOUSE, the British money broking and securities group, abruptly announced yesterday the collapse of merger talks that had been expected to lead to a bid for the company.

The group refused to comment about confident stock market speculation that the bidder was British & Commonwealth, the diversified transport and financial services group.

Mercantile's terse one-paragraph statement said that discussions following an approach made to the group had been terminated.

Neither Mr John Barkshire, Mercantile's chairman, nor Mr John Gunn, chairman of B&C, have confirmed that B&C was the bidder. Both men were said to be unavailable for comment yesterday, however, a fact which added weight to analysts' firm belief that they had broken off merger talks at an advanced stage over the weekend.

Mercantile's shares closed down 54p at 436p last night after rising from 408p before last Wednesday's announcement that an approach had been received. B&C closed at 532p, up 13p.

Lex, Page 20

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For other information contact either of the Joint Administrative Receivers Nick Lyle or Ian Williams of Grant Thornton, Fairfax House, Fulwood Place, London WC1 6DW.
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Joint Administrators Appointed

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THE ARTS

Alastair Muir

Janet McTeer in Ostrovsky's The Storm, which opened last night in the Royal Shakespeare Company's small Barbican auditorium, The Pit. Nick Hamm's production of a new translation by Stephen Lowe will be reviewed on this page tomorrow

NCOS Orchestra/Festival Hall

Max Loppert

The National Centre for Orchestral Studies offers potential orchestral players a year of study between departure from college or conservatoire and arrival in the "real world," in which they may be transformed into actual ones.

Part of the programme involves playing as a fully-fledged orchestra in public concerts such as Sunday's. It contained a full load of taxing works, it was conducted by a leading musician (Roger Norrington), and it had a front-rank violinist (Mayumi Fujikawa) as concerto soloist. All this must be of inestimable value, and throughout the course the Centre arranges for its players many other concerts of equally beneficial kind.

The main work was Mahler's Fifth Symphony—a massive piece, demanding stamina, weight of tone, confidence in the countless exposed passages (departmental and solo), and above all a kind of unarguable corporate authority that young players take some time to acquire. It has to be said that the performance was more remarkable for willingness, and for a handful of boldly turned details (the first trumpet brought to the opening just the right bitter edge), than for the mature Mahlerian virtues. String tone, particularly in the wild, wailing, or mournful surges of the first two movements, lacked body; in the multi-layered sway of the Scherzo the full ensemble tended to come slightly apart every so often (though it almost always came back together quite soon).

Norrington's reading, sober in tempo, carefully and at times punctiliously phrased, probably needed another kind of orchestra to bring it off; as realised by the NCOS, it carried a surprisingly laboured air. Transitions between sections, which in an authentic Mahler performance are covered with smooth inevitability, felt creaky. Melodies failed to flow or develop. The largeness of the structure began to seem a bit of a burden.

No doubt the simple fact of having traversed a work such as this without disaster is an achievement; but for the Mahler-sated London audience-member the experience of the music itself proved of rather more qualified value. In the overture — Stravinsky's early, extravagantly scored *Fireworks* —things were a good deal more sprightly; and as accompanists to Fujikawa's exquisitely poised and delicate account of the Mozart A major Violin Concerto, K219, the NCOS players and Norrington formed a highly successful partnership.

Medici & friends/Wigmore Hall

Dominic Gill

I have often enough had occasion to praise the Medici String Quartet in the 15 years since they were founded. They have never figured among the most exciting of British quartets, but they are gifted and reliable, and can usually be counted upon to produce at the very least a polished and thoroughly civilised evening's music-making.

For whatever reason—the weather perhaps, or the time of year, or the time of life?—the Medici's recital with friends last Saturday night was one of the dullest recitals I have heard from them, or from anyone else, in years. Their account at the start of the evening of Mozart's B minor string quintet (for which they were joined by the viola of Michael Cookson) was decent as far as it went, but tepid to a degree—correct but almost wholly unnuanced, and delivered without a trace of subtle spirit or buoyancy. It was the kind of performance associated indelibly in my memory with bored final-year Academy students: as if the Medici after a decade and a half had somehow mysteriously *come full circle*.

It was on the cards that the arrival of the pianist John Bingham for performances of Brahm's F minor piano quintet op. 34 and Glinka's *Gran Sestetto Originale* might shake up the ensemble. The Glinka sextet in particular is a piece of featherlight buoyancy and charm—a purpose-made vehicle of musical seduction (precisely and literally as which it was indeed originally conceived). But the players made little of its delights, and surprisingly almost nothing at all of its andane, a splendidly characteristic and mellifluous salon effusion, which they delivered with all the *colourful* and seductive charm of a beige nylon bedsheet.

Hayward Gallery/William Packer

Slim bridge on shallow waters

For British art, at least at the official level of major exhibitions and general recognition at home and extensive promotion abroad, Gilbert & George certainly seem to have been the darlings of the 1980s. In recent years their entire shared career, since first they came together at Saint Martin's School of Art in the later 1960s and each shed forever his patronymic in the name of a more sacred union in art, has been most grandly retrospectivised, chunk by chunk and suitably embalmed in thick, successive, portentous tomes.

With their achievement of the Turner prize last year, for which they also ran in 1984, we might have thought their apotheosis complete. But no: we must not anticipate, least of all in hope. The huge show that now all but fills the Hayward Gallery (until September 26: sponsored by Beck's Bier), which has been touring Europe this full year past, deals only with all the work the ineffable pair has produced since 1982. The most improbable of God's mysterious ways clearly has still some way to run.

It is a pity that this exhibition should be so limited in its retrospective scope, for by its sheer physical impact and its implied importance it does ask us to take an awful lot on trust. In the years around 1970, Gilbert & George *The Living Sculptures* were two truly original and utterly engaged conceptual artists who were yet working within a broader and more open context, in contrast to their present entrenched and isolated position. The work itself, with its performances, texts, statements of principle, post-cards, invitations, autobiography and wry narcissism, was as various as it was deft, mischievous, ironical and subversive.

Quite why they should have hit the jackpot now, in these more straight-faced, constrained and sensible times is hard to say, unless of course they were not being ironical at all. "To be with Art is all we ask . . .", they would say; "Oh, Art, what are you? You are so strong and powerful, so beautiful and moving . . . . we really do love you and we really do hate you. Why do you have so many faces and voices?" And

"We" (1983), photo-piece by Gilbert and George

Underneath the Arches they, or rather their Singing Sculpture, sang on for a year or two.

But for them *The Laws of Sculptors* (1969) even then were somewhat less plaintive and equivocal. "We met in London last year," they said; "We began to dream of a world of beauty and happiness of great riches and pleasures . . . of heartrending sorrow, of loathing and dread a world complete, all the world an art gallery." And then came their fourfold prescription: "1. Always be *smartly dressed, well groomed* relaxed friendly, polite and in complete control: 2. Make the world to believe in you and to pay heavily for this privilege: 3. Never worry assess discuss or criticise but remain quiet respectful and calm: 4. The lord chissels still, so don't leave your bench for long."

Just so were the texts that accompanied their "Magazine Sculpture," openly scatological and obscene in its title that appeared in *Studio International* in May the following year, in a censored version. The "Sculpture," as artist-centred as ever, was no more than a pair of portrait photographs with each respectively identified by the offending, or offensive words pinned across his coat front.

Was it then that the formula was set, that bears down so heavily upon us from the walls of the Hayward? So much has changed in the work, it would seem, in its scale and *consummately professional* presentation, and yet so little. For there was always the self-conscious attention to points of style, of typography if not of grammar, the right typeface and the stiff card, the cigarette held just so, the rose in the button-hole, the suit buttoned up and the sensible shoes.

Those hints and labels still tend towards the scatological, the sexual and the blasphemous, sometimes residual in the photographic reference on which Gilbert & George have relied for well over a decade past, more often graphically imposed after the event. Remove the slogans and, curiously, the work suffers nothing by the loss, but rather gains by the consequent ambiguity.

This is what gives the game away. For limited though their formal repertoire has now become, Gilbert & George dispose it with extraordinary finesse and, by size alone, considerable daring. Their own hieratic presence, like the guardian colossi to the temple, can command at least some awed respect, and their heraldic colours most certainly engage the eye. In all they do, they are masters of the modern technology of photomontage *with its shifts* of scale, fractured space and often ravishing detail, whether it is a branch full of blossom reduced to the very point of abstraction or the serene face of a youth. But this *is* all effect and mere technique.

It is easy to gloss obscurity as profundity and the desire to shock as a necessary cleansing *and freeing of the* spirit. To object may always be to miss the point and no one is more anxious to take the point than the indulgent and well-meaning liberal conscience. The desire to shock may also be entirely primitive and basic, something in the experience that we all have had, enjoy for a moment and leave behind us.

Gilbert and George, for all their evident sophistication and critical success, may be addressing no profundity greater than that of the giggling adolescents waiting upon their teacher to respond to the message scribbled on the blackboard.

With Gilbert and George it seems not so much that the Content of their Work has out*weighed the Form as that it* has become detached from it, the reading being quite separate from the formal experience. The newest work of all, at Anthony d'Offay (23 Dering Street: until September 4) seems more open and ambiguous. Even though the labels remain, this is an encouraging sign of movement. Physically, these multipanelled, immaculate images are as beautiful as ever.

Workshop pleasures few and far between

In its winter season, New York City Ballet presented two new ballets by Peter Martins: *Les Petits riens*, to music by Mozart, and *Ecstatic Orange*, to music by the young American composer Michael Torke. In the spring season just ended, the company gave us a similar mixture: two more ballets by *Martins, one to music by* Handel, *Les Gentilhommes*, and the other an extended version of *Ecstatic Orange*.

Les Gentilhommes, as the title suggests, is a ballet for men, nine of the younger ones *in the company. They begin in* a double diamond formation, performing a series of arm movements. If a reference to the opening of Balanchine's *Serenade* is intended, the point is obscure. Balanchine shows us the transformation of young girls into dancers, while all Martins has to offer is a bunch of young male dancers who remain just that — they don't undergo any transformation at all, least of all into maturity.

The School of American Ballet "workshop" performances this year included two of Balanchine's most demanding ballets, *Divertimento No 15 (Mozart)* and *The Four Temperaments*, which the young students performed with the assurance of grown-ups. (The students of the school of the Paris Opera, on the other hand, seen recently *in Aveline's* version of *Les deux pigeons* and Lifar's labored neo-classical *Suite en blanc*, still look like children, however well trained).

This new ballet of Martins's gives its dancers, most of them *fairly recent graduates from the* school, nothing to cut their teeth on, so to speak, except a lote of steps. One watches with glazing eyes as he works out his all too schematic structure: three times three, one pas de trois after another, following which Gen Horiuchi, the least expressive of the dancers, closes the piece with an ineffectual, would-be melancholy solo. The ballet ends not with a bang but a wimp.

If *Les Gentilhommes* is dull, *Ecstatic Orange* is stupefying. Martins has added two new sections, *Green* and *Purple*, in *front of the original eponymous* one. Balanchine's sophisticated *Bourrée fantasque* was said to be a ballet about New York night-clubs. *Ecstatic Orange* perhaps, celebrates the singles bar and the kind of affectless sexual encounter that originates there. *The ballet's center-piece* is a long duet for Heather Watts and Jock Soto, in which she performs such feats as balancing on the top of her head and the tips of her toes in a "bridge" position. She could no doubt have a great future as a contortionist. Torke's music sounds rather like a few riffs from Stravinsky's "Ebony Concerto" repeated ad nauseam.

New York City Ballet have just presented two new works by Peter Martins, one to music by Mozart, the other scored by Michael Torke. But chief pleasures resided in the art of dancers weaneed on Balanchine and boosted by Tharp and Jerome Robbins.

The season did have its pleasures, many of them provided by the ballerinas who have grown to maturity dancing Balanchine's ballets: Patricia McBride, Kyra Nichols, Maria *Calegari, Merrill Ashley, Nichol* Hlinka, and now Darci Kistler, who came into her own in elegant accounts of roles associated with Suzanne Farrell in *Liebeslieder Walzer* and *Walpurgisnacht Ballet*. (Farrell, *unhappily, has retired following* a hip operation.) Kistler also assumed the title role in *La Sonnambula*, but has yet to penetrate all its mysteries.

The repertory was considerably strengthened by the return *of the Twyla Tharp-Jerome* Robbins collaboration *Brahms-Handel*, absent so long one had despaired of ever seeing it again, and of *Bournonville Divertissements*, albeit undercast. This and *La Sonnambula* were redesigned by Alain Vaes, who seems to be the new house designer, with a heavy hand, though the new set for *La Sonnambula* made possible once again the ballet's original ending, in which the moving light traces the ascent of the sleepwalker as she carries the dead body of the poet up into the tower—rather than the suggestion that they go off into the heavens.

David Vaughan

The Fairy Queen/Florence

William Weaver

The announced combination was enticing: Purcell's *Fairy Queen*, in the Boboli Gardens, staged by Luca Ronconi, whose one undisputed success, years ago, was a fanciful theatre-piece based on Ariosto's *Orlando furioso*. The theatre-lover's appetite was further whetted by the information that Ronconi *would use* an *Italian text, the* early 19th century translation of *A Midsummer Night's Dream* by Michele Leoni, a fascinating man of letters, friend of Byron, and a pioneer Shakespearean.

In the event, the Boboli Gardens came off best. After late afternoon rain, the broad, high slope facing the Meridiana was verdant and magical. Though the evening was irreparably muggy, the great trees gave a false sense of coolness. But the man-made scenic elements, by Luciano Damiani looked false, too: and intrusive. The play's pastoral lightness — like the garden's freshness — became heavy, even ponderous.

And Ronconi—whose love of sheer length makes Schubert seem curt — did everything to make the production heavier, loading it with extraneous machinery: hay-wains drawn by beautiful, but nervous, oxen; a series of coaches employing a dozen or more horses. Though the actors were miked, they were encouraged to yell, so Leoni's elegant words were, for the most part, unintelligible. The miking, too, was clumsy. All the voices seemed to come from the same source, so it was usually impossible to tell which of the visible actors was speaking at a given moment.

And the production showed Ronconi at his most perverse. With the entire Boboli space at his command, he crowded much of the action on to a narrow catwalk. Instead of sinking to sleep on the lovely sward, Tatiana was made to take her slumber awkwardly propped against the lip of a large Roman tub. Puck was no sprite, but a *balding, stocky footballer*, obliged to run up and down the slope at murderous speed, with a resulting breathlessness that made his amplified panting sound like a death-agony.

The actors are not worth naming: they were *uniformly* terrible (though, in some cases, it was entirely Ronconi's fault). Fortunately there was the music, and the musicians were as good as the actors were bad. Conducting a reduced Maggio musicale orchestra and chorus, Roger Norrington brought a feeling for style and elegance *to the producer's* chaos. Maldwyn Davies, tenor; Lesley Garrett, soprano; and Jill Gomez, soprano, were the principal singers, and did their job admirably: *in the* Corydon-Mopsa intermezzo, Richard Lloyd-Morgan and Timothy Wilson were delightful and received grateful applause from the audience, who had sat in glum silence through the unfunny bawling of Bottom, Snout and co.

I must admit that the above observations are based on the first three acts (lasting over two hours). At midnight, the audience was dwindling; and—faced by a 40-minute interval and two more acts—I, dwindled with it.

Royal Ballet School/Covent Garden

Clement Crisp

The Royal Ballet School's annual Opera House outing on Friday—which will be repeated again this Thursday—was, as ever, a-buzz with enthusiasm and loudly cheered. The first part of the evening took the form of a divertissement, beginning with those folk dances in which the young display the nippiest footwork, not least in *an Irish Jig where* quicksilver feet flash under rigidly proper torsos.

There followed some short numbers in which tender sprigs of talent were on classical view, with Michael Nunn displaying a *clean and elegant manner in* Ashton's quartet from the *Swan Lake* ballroom scene, and in the final duet from *The Two Pigeons*. Of two novelties, one was a gorge-riser, a Doll Dance set to Lyadov's "Musical Snuff-box" tinklings, in which two children were attacked by terminal Soviet winsomeness. Much more to the point, a brief creation by William Tuckett, a second-year student in the Upper School, which was of real interest.

Mr Tuckett used part of Bach's Goldberg Variations to consider the stylistic boundaries between classic and contemporary in dance, and produced sequences for two fellow students that were ingenious, clearly shaped, and made his interpreters look attractively talented. The performers were Darcey Bussell and William Trevitt; both appeared in other items during the evening, but thanks to Mr Tuckett's inventions, seemed most impressive in this piece.

Miss Bussell was the Odile in the third act of *Swan Lake*, which took the centre of the programme. Given in the old *Leslie* Hurry designs, with various revisions to the national dances (the Spanish dance was replete with well-played castanets), the ballroom was full of eager performances. Miss Bussell and her Siegfried, Michael *Cassidy, went* unflinching through the flaming paper hoops of the Black Swan duet, and gave good accounts of themselves under the most daunting circumstances.

The evening ended with *Mikhail Messerer's Class/Ballet*, a survivor from last year's junketings. It is a display piece which builds, like Lander's *Etudes* or Asaf Messerer's *Ballet Class*, from first steps to culminating feats of bravura. The young are on their best behaviour — Michael Cassidy and Michael Nunn storming technical challenges with winning ease—but the elfin roguishness manifested by the most junior participants suggested that they would be better employed up chimneys or under the looms of a cotton mill.

The impression given by the students is pleasing in its neatness, its musicality of feeling and *quiet* good *taste*; rather less welcome are the polite arms, the genteelisms of manner, and feet not as bright as one can see at similar occasions in Paris and New York. These School performances are sponsored by National Westminster Bank, to whom thanks.

Saleroom/Antony Thorncroft

Oldies, but goodies

Sotheby's had two contrasting sales yesterday—of glass and of antiquities. The antiquities totalled £364,969, with 25.8 per cent unsold. This was mainly due to the failure of an Egyptian granite "pair" statue, depicting a cattle overseer and his wife made around 1250 BC, which was bought in at £32,000. It had been sent for sale by *Thomas Cook*.

Top price in the auction was the £35,200 which secured an Egyptian bronze figure of the God Horus in the form of a falcon, Graeco-Roman, about 100 BC. A Merovingian gold fibula, of around 600 AD, went for £33,000, as against a top estimate of £6,000, and a Celtic bronze torque from Saarland, dated to around 300 BC, was eight times estimate at £24,200.

An Egyptian basalt figure of Osiris, dating from around 650 BC, 17½ *inches high*, went to the Australian dealer, Geddes, for £20,900, and a pair of Etruscan gold earrings, from the late 6th century BC, was slightly below estimate at £14,300. The upper part from the lid of any Egyptian polychrome painted wood sarcophagus, of around 720 BC, went for £9,020.

The chief object among the glass was a fine and rare Dutch stipple engraved goblet by Frans Greenwood, dated 1745, and depicting a carousing man in 17th century costume, possibly after Frans Hals. It sold for £34,200, just within its forecast, to the London dealer Asprey.

The New York dealer Kaplan bought a cameo glass vase made *around 1880* by Thomas Webb for £15,950, double its estimate, while a cameo glass vase by *George* Woodall of the same period, depicting Flora as a young girl, went for £13 200, as against an original price of *£7 10s*.

A decorated glass beaker, *bought at a jumble sale*, and brought into Sotheby's Stamford office for valuation, sold for £6,800. *It was made by the* Austrian craftsman Johann Mildner in 1788.

Once a year Phillips' sells traditional river craft at Henley. Over the week end it had its best auction ever, raising £214,102, with only 6 per *cent unsold*. It was able to claim three new records — the £12,650 paid by a Swiss banker, who lives in Henley, for a single skiff, built in 1922; the £2,640 for a Thames double dinghy; and the £1,760 for an Eton College whiff.

There was heavy buying by a Californian collector, and by Mark Bamford of the earth removing JCB Group, who spent £26,000 in total. The most interesting craft on offer was the University College *(Oxford)* barge, built in 1883 and used as a boat house until the early 1960s. It is something of a wreck, but a Wiltshire antiques dealer paid £8,250 for it.

Mobil Oil backs jazz on the ramparts

Mobil Oil has announced its biggest ever sponsorship in Essex—a £50,000 jazz extravaganza featuring Cleo Laine and John Dankworth and the National Youth Jazz Orchestra. The event, which also features the John Dankworth quintet, will take place on August 21 and 22 in the setting of Tilbury Fort in Thurrock. The Elizabethan fort has been made available by English Heritage, and will be transformed for the event with an 800-seat marquee in the central courtyard.

The event is the latest initiative by the oil company under their Community Affairs Programme for Essex.

Arts Guide

July 10-16

Music

ITALY

Rome: Villa Medici: Piazza Trinita' dei Monti 1: L'Orchestre de Paris conducted by Pierre Boulez. Bartok, Boulez and Ravel (Thur). (6544601).

WASHINGTON

Wolf Trap: Boston Pops conducted by John Williams. Mixed programme (Tue). Vienna, Va. (7032551868).

CHICAGO

Ravinia Festival: Kronos Quartet. Sculthorpe, Lutoslawsk, Hassell, Riley (Mon); Alfred Brendel piano recital. All-Schubert programme (Tue, Thur). Highland Park (7284642).

NEW YORK

Tanglewood: Vermeer String Quartet. Beethoven, Ligeti, Mendelssohn, Janacek (Thur). Lenox, Mass (4136371666).

LONDON

Robert Schumann Trio: Mozart, Jean Francaix, Schubert and Brahms. Middle Temple Hall, Middle Temple Lane, EC4 (Mon) (2362801).

Israel Piano Trio: Haydn, Ravel and Brahms. Stationers' Hall, Stationers' Hall Court, EC4 (Tue). (2362801).

Hagen Quartet of Salzburg: Haydn, Janacek and Schubert. Fishmongers' Hall, London Bridge, EC4 (Wed). (2362801).

Alberni Quartet: Haydn, Mozart and Brahms. Drapers' Hall, Throgmorton Street, EC2 (Thur). (2362801).

Opera and Ballet

NEW YORK

New York City Opera: Performances of Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production, and La Traviata join the repertory after the concluding performances of The Student Prince with Jon Garrison in the title role, Leigh Munro and Brian Steele, conducted by Paul Gemignani and directed by Jack Hofsis. Lincoln Center (8705570).

Jacob's Pillow Dance Festival: Summeriong work and performance schedule in the Berkshires features recitals this week by Yoshiko Chuma and the School of Hard Knocks with Wendy Perron Dance Company (Tue-Thur). Becket, MA (413). 2430745.

WEST GERMANY

Munich, Bayerische Staatsoper: Munich's annual opera festival runs to July 31 at the Munich Bayerische Staatsoper; The second week of performances starts with the new Giorgio Strehler production of Falstaff, conducted by Lorin Maazel. The cast is led by Pamela Coburn, Brigitte Fassbaender, Juan Pons and Claes H. Ansjo. Further offered Siegfried and Götterdämmerung, both in Nikolaus Lehnhoff's disputed productions, with Hanna Schwarz, Hildegard Behrens, Rene Kollo, Kurt Moll and Marjana Lipovsek. Turandot in Jean Pierre Ponnell's highly acclaimed production, conducted by Guiseppe Patane, stars Ghena Dimitrova, Mirella Freni, Jan Hendrik Rootering and Friedrich Lenz. Also Cosi fan tutte, sung in Italian.

ITALY

Verona: Arena di Verona: Aida, directed and designed by Pietro Zuffi and conducted by Donato Renzetti, with Maria Chiara as Aida (alternating with Seta del Grande and Martha Colalillo), Fiorenza Cossotto as Amneris and Nicola Martinucci as Radames (23620).

Rome: Terme di Caracalla: Rome Opera's 50th summer season opens with a new production of Aida by Sylvano Bussotti, conducted by Julius Rudel of the New York City Opera. Leona Mitchell sings Aida and Grace Bumbry, Amneris. (461755).

Turin: Parco Rignon: The Baroque Dance Company, Ris et Danceries, in Passacailles with Francine Lancelot and Francois Raffinot. (544562/5578246).

LONDON

Royal Opera, Covent Garden: In the closing weeks of the Royal Opera season two key works in German opera provide the operatic repertory. Fidelio, in a revised version of the disastrous Andrei Serban production that closed Colin Davis' regime in the house last year, comes back with Davis again conducting and Elizabeth Connell again in the title role. Die Frau ohne Schatten, in the company's somewhat faded late-60s production, has a superior cast list – Gwyneth Jones, Ruth Falcon, Helga Dernesch, Robert Schunk, Siegmund Nimsgern – and that first-rate Straussian Christoph von Dohnanyi in the pit. (2401066).

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Tuesday July 14 1987

Shadows old and new

BRITAIN's NEW shadow Cabinet, announced yesterday, will almost certainly not lead the Labour Party into the next general election in the early 1990s. Too many questions remain unanswered for that. There has still not really been an inquest into why Labour lost the last election, nor any full inquiry into why the party has now lost three general elections in a row. Whether there is a place any more for an alternative government of the left or centre-left is a matter that will have to be addressed at some stage.

Still, unlike the SDP-Liberal Alliance which has reacted to the election results by carrying the war into its own camp, Mr Neil Kinnock, the Labour leader, is at least going through the motions of business as usual. He emerged from the election with his own stature enhanced and his leadership unchallenged. Elections to the shadow Cabinet by the members of the parliamentary party were due by October. They took place last week and Mr Kinnock yesterday distributed the major shadow portfolios.

Campaign star

The list is not startling. It looks short on experience, Mr Denis Healey, the party's veteran on foreign, defence and economic policy, having decided not to stand and Mr Peter Shore, who might have replaced him in any of those capacities, having failed to be re-elected. It also has its oddities: Mr Gerald Kaufman, the new spokesman on foreign and commonwealth affairs, is a very good debater and an assiduous master of detail, but if he has any previous knowledge of the wider world, he has kept it to himself. The best explanation is that he has been rewarded for consistently polling well in the shadow Cabinet elections and that Mr Roy Hattersley, the deputy leader, wanted to take over Mr Kaufman's role in home affairs rather than do foreign policy himself.

Some of the other appointments show flair. Mr Gordon Brown should be a very effective shadow Chief Secretary to the Treasury. The fact that Mr Kinnock is ready to appoint a young man of his calibre to the post suggests that House of Commons debates on public expenditure will become more serious. It is also astute to give the shadow education portfolio to Mr Jack Straw. Education will play a large part in the new parliamentary session and Mr Straw, with his experience of local government, should be capable of standing up to Mr Kenneth Baker, the Education Secretary.

Two other appointments attracted some publicity before they were announced: the promotion of Mr Bryan Gould to shadow Trade and Industry and of Mr John Smith to shadow the Treasury. Mr Gould was one of the stars of Labour's election campaign. Yet Mr Hattersley, the outgoing Treasury shadow, seemed to think that it would be going too far, too soon to put him on the tail of Chancellor Lawson.

Personalities may have had something to do with it; the interesting question remains, however, of which department Labour thinks is more important: the Treasury or Trade and Industry. That is one of the party's unresolved internal debates, on the outcome of which much will depend. The old interventionist Labour Party always wanted to set up a ministry to challenge the Treasury; the Department of Economic Affairs in the 1960s was an example. More recently, that putative role has gone to the DTI. Will a modern Labour Party accept Treasury dominance and try to reform from within? Nobody yet knows.

Limited material

A lot else is unknown, too. The party's left wing is not shadow Cabinet. Will some of its new parliamentary members such as Mr David Blukett, eventually find a place? Indeed, the question is still open of whether a party that has spent much of the last two decades riven by faction can come together to form a unified, civil ised left capable of winning a general election. Not least, there is the future of the trades unions and their relationships with the party. The TUC is conducting its own inquiry into these issues.

Some of the answers will become clearer at the party conference in the autumn, and there is time in hand. So far Mr Kinnock has not panicked; he is doing the best he can with limited materials.

King Hassan's running sore

A STATE visit represents the most solemn and cordial way that two countries can affirm their friendship without making any specific commitments.

In the case of King Hassan of Morocco, whose state visit to Britain starts today, there is no very close traditional or commercial tie to celebrate. The visit may perhaps have the effect of stimulating greater British involvement in the Moroccan economy, if it helps to convince British companies that the formidable Moroccan debt burden can continue to be managed, or juggled, as it has been for the last few years; and King Hassan probably hopes it will win him some British support in his attempts to obtain special treatment for Moroccan exports in the European Community.

But he must know that that is not very likely. The main value of the visit, in his eyes, will be that it broadens the range of his international contacts and strengthens his pretension to cut a figure on the world stage. Britain is not as important to him as France or the US, but being feted in London may give him that much more leverage in Paris and Washington, as well as nearer home.

Direct confrontation

The British Government has presumably decided that he is worth cultivating to that extent. He is pro-Western, as he is fond of reminding Westerners who meet him — although there is no easily identifiable Soviet threat in his part of the world — and if there is an Islamic threat it is unlikely that stressing his ties with the West is the best way to contain it. Perhaps more to the point, he is a moderate on the Arab-Israel conflict and has worked hard to encourage other moderates on both sides and bring them together.

He is also to all appearances very firmly in control of his country, after 26 years on the throne and has now succeeded in extending that control to virtually the whole of the western Sahara.

That last achievement, however, is somewhat double-edged, for it is an achievement of military conquest, and is not yet complete. The war is still going on, and the very fact that it is now being conducted on the edges of the conquered territory increases the risk of direct confrontation with the neighbouring states, namely Algeria and Mauritania.

The guerrillas of the Polisario Front show no sign of abandoning the struggle, and Algeria, which has backed them consistently through 11 years of war, shows no sign of willingness to pull the rug from under them. It would in any case be difficult for her to do so now that the "Sahrawi Arab Democratic Republic" is a full member of the Organisation of African Unity, recognised by 70 other countries, while the Polisario Front itself is recognised by the UN General Assembly as the authentic representative of the "Sahrawi people."

Diplomatic finesse

The Moroccans would argue that the very notion of a Sahrawi people is an artifice and that many of the "refugees" living in the Polisario-controlled camps on the Algerian frontier come from other parts of the Sahara or (as is certainly the case with some of the Polisario leaders) from Morocco itself.

It is indeed difficult to establish who was born where in an area of almost entirely nomadic population. But there is a sense in which all nations are artificial, especially in their early days; and it remains true that in 1975 a UN mission to the territory (then still under Spanish rule) found an overwhelming majority in favour of independence rather than union with Morocco. Nothing has happened since to legitimise the Moroccan annexation, and King Hassan's offer of a referendum does not constitute a solution unless the two sides can agree on the modalities of holding it.

The conflict will have to be ended by negotiation, and President Chadli Bendjedid of Algeria has repeatedly made it clear that he will not negotiate on Polisario's behalf. Sooner or later King Hassan will have to negotiate with them directly, following up his success in war with corresponding diplomatic finesse. That is what has been urged on him repeatedly by the UN and the OAU. The British Government should add its friendly voice to theirs.

Roderick Oram examines the reasons for some erratic performances on Wall Street

Too far, too fast

WALL STREET securities firms are running ahead of themselves, judging by reports of heavy trading losses, costly expansion of empires and introduction of ever more rarified and risky products.

While trading losses are as natural to investment dealers as crop failures to farmers, the scale of Wall Street's wave of bad news indicates that the problems go beyond poor bets on the direction of markets.

In recent months, Merrill Lynch has suffered losses of $275m (£171m) and First Boston an estimated $100m when new and inadequately understood types of securities behaved unexpectedly in volatile markets. In Merrill Lynch's case most of the damage was done by unauthorised trades executed by a 36-year-old employee.

More red ink is expected as other firms report results for the three months just ended. Many have been hurt not only by this spring's rout of the US bond market, but also by the strains of intense competition at home and abroad and the huge costs of staking claims in London and Tokyo.

This blot on the performance of US securities houses in the fifth year of bull markets has intensified a long-running debate. Has the 1980s' surge in volume, risk, complexity and internationalisation of business overwhelmed management ability? "We've all been guilty of dealing in abnormal risks but sometimes we've only seen them after the fact," says one senior Wall Street executive leading his firm's study of management controls, now a common exercise in the financial fraternity.

Most dramatically, the leading officers of stockbroker Kidder Peabody were ousted and the board reconstituted in May by General Electric, which acquired it a year ago. GE, disturbed by the way Kidder had failed to control abuses such as insider trading, brought in a tool and die man to instil industrial-style discipline.

Wall Streeters baulk at the notion that their mercurial business can be bound by the strait-jacket of budgets and corporate plans. But they know they must search for a better handle on their business.

The problems stem from years of helter-skelter expansion of staff numbers and products. A 20 per cent annual increase in workforce through the 1980s has been the norm. Salomon Brothers' payroll grew 40 per cent last year as it geared up large operations in London and Tokyo and expanded in new domestic areas such as real estate finance.

Instructing the newcomers has become a top priority. Training programmes, which may last six months for raw recruits, can teach the mechanics of the business, but are less successful with ephemeral subjects such as trading instincts and company ethos. Each firm considers its own style to be a key to its success, so personnel officers talks frequently of bonding and transmission of corporate culture. Goldman, Sachs, for example, has developed a trivia game to hand down company lore. (What was the firm's first public offering? United Cigar Manufacturing, $4.5m cumulative preferred stock, April 1906.)

"Culture and character are very unique and very hard to convey in a speech," says Mr James Massey, the Salomon managing director in charge of sales, trading and training. "You understand it when you get to work." Conditions on the jom have never been tougher, for young and old hands alike.

US trading in financial instruments has tripled in the past five years to an estimated $400bn a day in the form of government, corporate and municipal bonds, stocks, futures, options and foreign exchange handled by securities houses.

Firms dedicated to staying ahead have come up with a stream of new products. Mortgage-backed securities, bonds stripped into interest-only and principal-only portions, bonds backed by asset such as credit card receivables and currency hedges built with futures and options from mathematical blueprints are just some of the tools which have already become a little humdrum but they are double-edged: on the one hand they help handle volatility and volume; on the other, they may help create them.

The problem is that innovative instruments can behave unpredictably in unusual market conditions. For example, many firms suffered losses just over a year ago on bonds collatralised by pools of residential mortgages. They were designed to be long-term securities but that overlooked an element of human nature: when interest rates fell sharply in the spring of 1986, home-owners took out cheaper mortgages and paid off the more expensive ones backing the bonds. Suddenly, they became short-term bonds and the resulting turmoil cost firms dearly.

"An an industry, we are venturing into products we don't understand as well as we used to," says Mr Rodney Schwartz, Paine Webber's analyst of Wall Street firms. Moreover, suggests a management consultant, "markets and products evolve too quickly to put effective controls around them."

Traders steer clear of losses by such traditional methods as deft dealing and hedging. They are also turning to more sophisticated aids, such as computer-based statistical models devised by Wall Street's newest gurus: mathematicians and quantitative analysts, known as rocket scientists or quants.

On most occasions, these precautions work well. But none are infallible. Skilful trading has its limits, especially given the heightened volatility of markets and the bigger inventories firms carry. Treasury bonds, for example, lost some 10 per cent of their value in the first two weeks of April, a decline which might have taken a year in times past.

The rapid growth of some firms has meant their seasoned traders have moved into managerial roles, leaving the desks staffed with people who have never known a down market.

Hedges are based largely on traditional relationships between securities. Thus, a dramatic shift in markets or in one side of a hedge undermines them. "Just when you need them, they tend to collapse," says one senior trader.

Similarly, mathematical models are built on historic data. "Models are wonderful for predicting the past," says a First Boston executive uncomfortable about his firm's recent losses, incurred within its own trading rules.

> 'As an industry, we are venturing into products we do not understand as well as we used to'

Wall Street is acutely aware of these problems and knows it ignores them at its peril. The search for greater control has taken varying forms, but most firms have given prominence to capital, credit and risk committees. Typically, they allocate capital to the most deserving lines of business, analyse credit risk, weigh up assets and liabilities and evaluate the risks of individual deals, types of business or markets.

Often these committees have sprouted within the management hierarchies which have evolved since the simpler times of the 1970s, when decisions were taken more informally, often within private partnerships.

Morgan Stanley is credited with one of the most gradual but complete evolutions into management by committee. "This place is very carefully planned but it is not an ivory tower exercise," says Mr Geoffrey Elliott, a managing director involved in planning and administration.

Salomon, in contrast, moved rapidly last year to install its first new layers of management in 20 years. "It was something like changing from the Sun King to rule by the office of the chairman, a board of directors and committees," Mr John Gutfreund, chairman, told a class of trainees recently. "We're still acclimatising to it." This may sound like a radical change for Salomon, known for its shoot-from-the-hip trading style. Executives stress, though, that the atmosphere remains informal. "You can have informality and still be well managed," says Mr Massey.

Whatever the degree of change, all firms face similar challenges. Wall Street is populated by what American psychologists call "type A" personalities, those cocksure self-starters of market legend. Such people will no doubt chafe at management by committee.

Information flows, too, are a problem. Computer systems are inadequate in some firms, according to a leading management consultant who is helping to improve them. He knows, for example, of one major firm which is spending $8m over two years on an overhaul to account for huge yen denominated sums. At the moment the machines are lopping off a few digits to the left.

More crucially, firms "have to turn data into information," as Mr William Mayer, a First Boston managing director, puts it. "We can see what the numbers say, but we are trying to work out what they mean."

Management talent may turn out to be one of Wall Street's most scarce resources. Up to now firms have tended to promote the best salesmen and traders, or most forceful individuals, to management roles. To meet the demand for more sophisticated leaders, firms are trying to grow their own talent. "We now recognise the need for some people to be only managers," says Mr Massey. How do Salomon's die-hard traders react to the call? "They see it as necessary but less fun."

Firms are sceptical about bringing people in from outside, because of the fluidity and unpredictability of the securities industry. "Tissue rejection" has killed many attempts to graft on outside talent, says one management consultant. In addition to the changes at Kidder Peabody, people are watching Merrill Lynch, which recently hired Mr Courtney Jones, from General Motors, and Mr Eugene Rotberg, from the World Bank, for senior roles in finance and risk management.

The goal is to devise management systems which ensure rapid detection of anomalies in the markets: which ones to exploit for profit and which to rectify to minimise losses. "We're all trying to go in that direction to be more stable, but it will take us a while to get there," says a top executive.

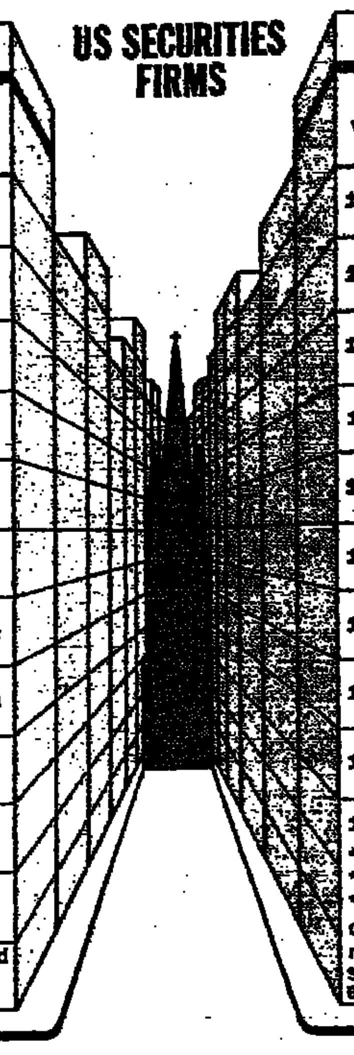
In the meantime, firms hope present controls are sufficient to avoid serious mishap. But the odds on someone suffering a huge setback, particularly in the international arean, will escalate alarmingly if the five-year-old bull market turns.

One thing will never change: however sophisticated the tools of analysis and control, final decisions will come down to human judgment. Late last year, for example, First Boston faced a critical decision in its efforts to help Campeau, a Canadian real estate developer, win control of Allied Stores, a major US retailer. Should First Boston commit $865m of its money as bridge finance? After all the number crunching, Mr Peter Buchanan, president, Mr Francis Jenkins, a managing director, and Mr Mayer—three of the four members of the executive committee—plugged into a conference call and spent three hours asking each other in countless different ways: "How does it feel to you?"

Finally they agreed to proceed. By the time the debt was refinanced in the junk bond market five months later, First Boston had booked more than $100m in fees for the deal.

Although such an approach still works well for big strategic moves, Wall Street has a long way to go to develop management systems which ensure adequate control over the myriad decisions made daily by people further down the line.

US SECURITIES FIRMS



THE TOP 10†	
1 Salomon Inc	$3.45bn
2 Merrill Lynch	$2.9bn
3 Goldman, Sachs	$1.5bn
4 Shearson, Lehman	$1.4bn
5 Drexel, Burnham, Lambert	$1.3bn
6 Prudential-Bache	$1.0bn
7 First Boston	$0.96bn
8 Bear Stearns	$0.94bn
9 Dean Witter	$0.7bn
10 E. F. Hutton	$0.7bn

† US investment dealers ranked by equity capital, end 1986

THE BOOM

Year	Return on equity*	Total equity**	Employees***
1986	15.5%	$29.5bn	138,400
1985	15.9%	$21.9bn	129,300
1984	7.2%	$15.7bn	121,700
1983	19.8%	$14.2bn	117,500
1982	21.9%	$10.7bn	102,700
1981	19.4%	$8.1bn	98,600
1980	25.8%	$6.7bn	90,000
1979	15.6%	$5.0bn	78,400
1978	10.8%	$4.4bn	73,700
1977	6.9%	$3.9bn	70,200

*After-tax.
**New York Stock Exchange members.
***Total employed by New York security, commodities, brokerage houses and related services.
Sources: Securities Industry Association, NYSE; Bureau of Labour Statistics.

Chris Walker

Men and Matters

Daimler Benz's new driver

Yesterday's musical chairs at the top of Daimler Benz, West Germany's largest company, have given the conspiracy theorists plenty of food for thought.

Those who see the hand of Deutsche Bank, the country's biggest financial institution, behind every twist and turn in German economic life must be having a field day. And some chief executives will be feeling less than comfortable in their leather recliners as they wonder whether a new day has dawned in German boardroom politics.

But the premature resignation of Werner Breitschwerdt, Daimler's chief executive, and his likely replacement by Edzard Reuter, his deputy, begs the question of why Deutsche Bank decided to change course in mid-stream.

That it had a hand in the changes is undeniable; the bank owns 28 per cent of Daimler, and Alfred Herrhausen, its co-speaker, is Daimler's supervisory board chairman.

Juding by the rows of limousines speeding out of Deutsche Bank's underground car park at its Frankfurt headquarters every night, it even accounts fr a decent slice of the auto manufacturer's production.

Nevertheless, Breitschwerdt was Deutsche's own choice back in 1983 on the sudden death of Gerhard Prinz, Daimler's previous chief executive. Some say he whispered the job should go to Breitschwerdt in a dying gasp. Others say that Reuter was deliberately passed over by the conservative bank because of his active support—he is a card carrying member—for the opposition Social Democrat Party (SPD).

Indeed, so bright was Reuter's star in the SPD's firmament that he was a posisble candidate for finance or economics minister had Helmut Schmidt managed to stay in office in 1982.

Expediency now seems to have got the better of politics, and, whatever his merits as an engineer, Breitschwerdt has been encouraged to step aside for his former rival.

Reuter is widely regarded as one of the architects behind Daimler's rapid growth through acquisition in the past couple of years. But the most far-sighted German boardroom watchers are already putting their money on Helmut Werner, aged 50, the present head of tyre maker Continental Gummi, to keep Daimler rolling in the longer term.

Absent landlord

Also in Frankfurt, the big brass nameplate for Joachim Schmidt and Partner, the foreign exchange broker whom everyone wants to interview in connection with VW's DM473m foreign exchange scandal, is still proudly displayed in the lobby of a modern office block.

The dozen or so employees moved out of Schmidt's slick offices three months ago when business dried up after the affair broke. But the sign remains, together with a handwritten notice saying the business is closed.

But pressures upon Frankfurt commercial spaces are heavy and the premises may not remain vacant much longer.

A contract should be signed for new occupants this week.

It remains unclear who will sign for Schmidt. The many parties who want to interview him have small hopes that he will turn up in person to conclude an agreement with a new subtenant.

Euro strike

Not infrequently Brussels is the scene of angry farm demonstrations — but it is six years since the Community's own workers seriously flexed their industrial muscles.

Today, however, the 16,000-or-so staff who work in the EC institutions in the Belgian capital, and in Luxembourg, are being urged to down their Euro pens in a 24-hour show of anger against member states.

The problem is that the Council of Ministers—and according to one strike co-ordinator Britain, Germany, and the Netherlands, in particular—refuse to reinstate part of a pay cut which the Euro workers voluntarily accepted in 1981 as their contribution to the general economic crisis.

It is now 18 months since the Commission proposed—and 12 months since the European Parliament agreed—that 40 per cent of this sacrifice should be returned in view of the "more positive" economic situation.

Even by Community standards that is a long time. Hence today's Bastille Day protest.

Banking stress

It is a mark of the depth of the disenchantment among staff at the World Bank with the reorganisation set in train by Barber Conable, its president, that his authority is now being gratuitously undermined by a flurry of anonymous memoranda and spoof notices to staff — supposedly put out by the new appointees.

One of the latest is an announcement, carrying the name of William Cosgrove, the new vice-president of personnel, of a ne wRestroom Trip Policy under which, in the interests of efficiency, bank employees will only be allowed 20 visits to the rest room a month.

Appropriately enough Cosgrove is by training a sanitary engineer.

Insiders at the bank say the memorandum is extraordinarily convincing, right down to the careful forgery of Cosgrove's signature at the bottom.

It tells staff that entrances to the rest rooms are being equipped with computer-linked voice print recognition systems that will record their visits. Once they have used up their monthly allocation of 20 visits the door will not open to their command until the first of the following month.

Staff are requested to make two voice imprints for the system: "one normal, one under stress."

A bank spokesman says the notice was "refreshingly humorous" compared with some of the more vicious documents that have been circulated recently. But it was definitely a hoax, he added without a trace of stress in his voice imprint.

Tennis talk

In spite of the failure of either Boris Becker or Steffi Graf to win a Wimbledon crown this year, West Germany is tennis-mad at the present time.

One Bonn defence ministry official, referring to the discussions under way on improving military links with France, draws on sports commentators' language to describe how they cannot, in any way, substitute for West Germany's defence relationship with the United States.

"Just because the US-German tennis may be going less well, this does not mean we can move to a next-door court," he says.

In a reference to the US nuclear strength, he adds "The Americans have the better balls."

Observer

Letters to the Editor

Community charge: ability to pay or benefit principle

From Mr W. Weisflog

Sir,—Rosalind Levacic (July 8) extols the merits of the so-called benefit principle of taxation (taxation according to the benefit received from public *goods*) and *takes Michael* Prowse (July 3) to task for upholding the ability-to-pay principle. It is true that most textbooks on public finance contain also a section on the benefit principle and on the underlying benefit theory, but to call it "a fundamental principle of taxation" is, in my view, an exaggeration. To my *knowledge, the benefit principle* has never been put into universal practice, and most modern market-economy states and their local authorities appear to adhere to the ability-to-pay principle.

The reason for the universal adherence to the ability-to-pay principle is plain: the benefit *principle* is generally *quite* impracticable. Most benefits *which government and local* governments usually provide cannot, as a rule, be measured *and apportioned to the individual* taxpayer. Take defence or the services provided by the police, *for example*. The benefit to individuals is simply unascertainable. After all, the taxpayer is not buying apples or oranges—nor a bus ticket or a packet of corn flakes for that matter!—from the state or from the local authority, but a common benefit, as distinct from an individual one. Only in case of the latter can the benefit principle be applied. Hence, nearly all modern writers on public finance agree that the ability-to-pay principle is today the only satisfactory one for apportioning the tax burden.

The above would appear to hold good for any common benefit, whether provided by central or by local government. To try and make a distinction between the two seems to me wholly artificial.

One feature of the ability-to-pay principle is that persons without ability to pay, ie, without any income or wealth, or with incomes below the subsistence level, are (or should be) exempt from taxation. The proposed community charge grudgingly acknowledges this principle by granting the latter a rebate, or to those on state benefits even an additional allowance. But why charge them in the first instance? It seems patent nonsense to give to them with one hand simply in order to be able to take it away again from them with the other, and thus cause a lot of unnecessary administrative trouble and expense.

As for the designation of the new tax, the tax remains, of course, materially the same, whether it is called "community charge" or "poll tax." According to Mr Nicholas Ridley, the Environment Secretary, *the right to vote would* not depend on registration for, or payment of, the community *charge. Equally, it would not* be possible to avoid registration for the charge by failing to register to vote, and there would be two separate registers compiled on different bases.

Community charge registration officers, it has been said, *will have recourse to old* rating lists and to the electoral roll, and anybody on the latter, but not on the community charge register would, without doubt, find himself or herself in dire trouble!

W. E. Weisflog.
22 Roedean Crescent,
Brighton, Sussex.

From Mr H. Law.

Sir, — I was pleased to read Rosalind Levacic's statement (July 8) of the important, and neglected, principle that the taxation should be related to benefits. But taxation must be linked to benefits available rather than to benefits received. To accept the "benefits received" principle would lead us to the absurd conclusion that a community charge ought to be related to the number of schoolchildren or old people in a household.

If taxes are to be related to benefits available, then the method of assessment must take account of the fact that public services are not there to be enjoyed equally by all; their quality varies from place to place even within the same local authority area. Some shcools are better than others, and not *everyone can live opposite a* park.

The most accurate measure of the quality of public services available at a particular location is the value of land; land values are the market value of the infrastructure enjoyed at that location. If we wish to relate taxation to benefits, then the most appropriate way of do*ing so would be to move to*wards a system of rating or taxation based on land values. *If such a reform is politically* unacceptable, we should at least acknowledge that rateable values contain an element of land value; to that extent, the present rating system already conforms to the "benefits" principle.

The community charge will do little or nothing to bring local government spending under control. Money spent on dubious causes catches the headlines, but it is minute in relation to the total. The real waste is largely out of public view; it is not politically motivated, and has little to do with the actual method of raising local revenue or any supposed lack of accountability through the ballot box. The problem has its roots in managerial and financial structures within local government, and the proposed community charge is no remedy.

Henry Law,
19 Queen's Gardens,
Brighton, Sussex.

From Mr D. Richards

Sir,—Rosalind Levacic (July 8) usefully points out that in the context of the fiscal system as a whole, which is dominated by the ability to pay principle of *taxation, the community* charge proposals represent an infusion of the benefit received principle of taxation, and therefore a slight shift towards economic efficiency, albeit at the expense of equity.

The question remains: is the promotion of efficiency in this way desirable, or is there some other system which might also *promote efficiency, but without* such severe side-effects?

There exists already a market measure of benefits received for which the community that actually provides them receives no payment—namely, land value. Charging landowners in proportion to site values would go some way towards rectifying this anamoly, and would have *the advantage of being gener*ally progressive rather than regressive—of promoting equity.

Additionally, it would have all the acknowledged advantages of the existing rating system without its *disadvantage* of penalising property-improvers. Indeed, it would penalise underuse of land, thus encouraging its proper development. It *would also* reduce house prices, encouraging mobility, and spread the ownership of land.

Of course, it will be argued that many would be able to vote for the provision of public services without having to meet their costs. But such people—mainly the poor—are now being put in a cleft stick: they must either accept less services, or less disposable income. It seems that the primary aim of the community charge is to reduce local government spending, and that inequity, rather than efficiency, is therefore its essence.

David Richards.
Hope Chapel House,
Station Hill,
Bridgend, Mid-Glamorgan.

Comments concerning Contibel

From Sir Philip de Zulueta

Sir,—I should be grateful if you would allow me to reply to some of the comments made by Lex (July 9) concerning the bids for Contibel.

The board of Contibel's original recommendation of 278p per share was made because Tractebel and GBL, which already owned more than 29 per cent of the company, informed the board at that time that they were not prepared to make an offer at a higher price. The board judged that in the absence of an offer the shares were *likely to fall in the market* —a view shared by many investment analysts at the time. Since the original offer the "asset" value of Contibel had risen, the corporate tax position had altered and shareholders had not responded favourably to the original offer. The board was still of the view that a general offer was in the interests of all the shareholders partly because, through its holdings, the Belgian group could have prevented any substantial development of Contibel, for example through acquisition or disposal. In order to allow an offer of 315p per share to be made, the board agreed to recommend the increased and final offer. An offer at this level was as high as the Belgian group was prepared to go. It had, in fact, already suggested 310p, which the board had felt that it could not accept in the new circumstances.

As to what you refer to as the activities of "arbitrageurs," while it is true that the bid by Gulf Resources in October of 530p per IC Gas share led to a substantial increase in the share price, *it was the subse*quent reconstruction of IC Gas into Calor and Contibel, undertaken by the board of IC Gas and its advisers, Morgan Grenfell, which has yielded to shareholders a combined value today of 785p per original IC Gas share. It seems to me that the boards of IC Gas, Calor and Contibel, and their advisers, have deserved well of the shareholders.

(Sir) Philip de Zulueta.
3 Westminster Gardens,
Marsham Street, SW1.

Increase in MBA student fees

From the President,
London Business School
Students' Association.

Sir,—The debate surrounding the recent 124 per cent increase in tuition fees for the MBA course at London Business School has so far ignored the effects on students attending the part-time programme.

Typically, young managers on the *programme have their* fees paid by their employers over the three years of the course. From a *survey* that this association has conducted 50 per cent of students claim that their *sponsoring* companies would be unwilling to pay the increased fees. Indeed, 52 per cent have said that they would have gone elsewhere in the UK to study had the new fee structure been in place when they were accepted by LBS.

It seems ironic that Britain's aspiring managers and their sponsoring organisations who place some sort of value on management education are being obliged to meet increases *of this* magnitude. When there is such a shortage of trained managers in the UK the University Grants Committee's cuts to the MBA programmes defy logic.

Ian Williamson.
LBS, Sussex Place,
Regent's Park, N.W.1.

Education UK-US style

From Mr B. Hopkinson

Sir,—Mr Rogaly's attempt (July 9) to link US and UK education systems indicates he did not learn much during his stay in the US. The US school system has always been intellectually deficient. Its objective has been and still *is*, to take the children of immigrants and turn them into well balanced, English speaking, US citizens. The UK system, at its best, has been and still is superior to the US, as regards educating its alumni. Witness the ease by which British educated scientists and engineers, including myself, can carve out careers in the US. With the experience of educating four children in the US and UK I would recommend that the UK distance itself from American methods and standards, in the attempt to catch up with *the Japanese*. Bringing back the old grammar school may be all that is required.

B. Hopkinson.
23 Druids Woods,
Avon Way, Bristol.

Engineers and accountants

From the Finance Director,
Eaton-Williams Group.

Sir, — Mr Mellor (July 7), offers an excellent defence of the engineering profession and promotes the undoubted benefits to wealth creation of accountants and engineers working "in harmony." He even finds space to dismiss the generalisation that accountants are "skinflints." Speaking as an accountant who works in an engineering company, I am grateful for that!

His letter is full of other, more subtle, generalisations which in my view, do little to foster the harmony he promotes, however.

Descriptions such as the "frontiers of new technology" are a positive encouragement to the idea of the engineer's pioneering role whereas "working within budgets" suggests the traditional and somewhat negative image of the accountant's backward looking caution. This is reinforced when Mr Mellor introduces the emotive subject of wealth creation. Why should the engineer have an exclusive claim to be the wealth creator leaving the accountant simply to count the results of his colleagues' success?

Surely, it is obvious that a business's success as a wealth creator depends upon a blend of differene skills, certainly not limited only to those of either the engineer or the accountant.

"Wealth created" is, after all, another way of saying "investment return." It is the market, and our customers, that provide this return whatever profession or training we have.

Arthur T. Forrest,
Eaton-Williams Group,
Station Road, Edenbridge, Kent.

A boom time for tankers?

From Mr K. Shilleto

Sir,—For the first time since 1979 tanker owners may be on the verge of a breakthrough into significantly higher levels of freight earnings. Uncertainty about what may happen in the Gulf if and when the US fleet takes up its protective role in support of Kuwaiti tankers, and a firming of oil prices in the *light of that and other considera*tions have engendered a sudden demand for tonnage including some vessels for storage outside the Gulf area. A significant and reasonably lasting elevation of freight rates will only be achieved if tanker owners take a leaf out of Opec's best selling book and apply their own pressure to the laws of supply and demand. If Greek, Scandinavian and Hong Kong owners were to unite in laying down minimum acceptable freight *levels*, some 60 per cent *of* the free spot tanker tonnage would be effectively organised and the *pressure on dispersed oil and* trading companies would be irresistible.

With modern communication and the swift traffic of information available *today* such coordination is a simple matter in every aspect except possibly that of will. Tanker owners have faced nearly 15 years of disastrous slump and are not only *entitled* to expect *better* times, even for a limited period, but should be energised to secure them. The chartering personnel of most oil companies are nearly all too young to have experience of past booms. Those that remain have passed into other spheres of company activity. The individual tanker owner tends to command his own destiny when employing his ships and many of those old dragons are still about.

K. D. Shilleto.
2 Mulberry Close,
Beaufort Street, SW3.

Channel tunnel cannot restore prosperity to UK ports

From the Director,
British Ports Association.

Sir,—I am pleased to see in your article "Clyde port for Channel tunnel would not pay" (July 6) that the idea of the Channel tunnel bringing great opportunities for UK west coast ports to compete for transatlantic European container trade and tranship this through the tunnel to the Continent has been finally laid to rest. The study carried out by the consultants Pieda and commissioned by Clyde Port Authority has concluded that a plan to restore the Clyde to a major port serving continental Europe would not prove economically viable. Pieda has added that the causal reasons lying behind this conclusion can be applied equally to all UK ports.

Since the outset of the Channel tunnel project this association has argued that the Channel tunnel will be highly damaging to all UK ports. It will accelerate the current transhipment trend rather than reverse it to the detriment of both deep-sea and ferry ports. This recent report gives statistical support to the BPA argument. It illustrates that the cost of moving containers through UK ports and then overland to the tunnel would far out-weigh any savings which could result from shortening the sea route for container shipping. In your article you quoted the report as showing £6.5m saving in shipping costs totally overshadowed by an additional £139m a year in overland transit costs.

These findings are supported by work recently carried out by Transmodal Research. Here the system cost of a typical North Atlantic vessel itinerary calling at four European ports is tested against the system cost of the comparable alternative using Liverpool or the Clyde. At best the saving in terms of sea costs amounts to some $37 per TEU to have a container delivered at the Clyde rather than Bremen, Rotterdam or Le Havre. Land costs, however, even using the cheapest, rail, are typically four to five times higher than sea costs per FEU/km plus the *costs of using the tunnel, which* it estimates at being around $150 per box.

The report concludes that "the UK gateway offers not cost benefit to the shipping line considering redeployment of its vessels and only uncertain benefits to high value shippers."

In the light of the conclusions of these two recent *reports* perhaps now the financial and economic reality that the Channel tunnel cannot restore prosperity to UK ports can be recognised.

At present shippers enjoy substantially lower costs at Continental ports. These cost misalignments occur largely because many European governments heavily subsidise both the investment and operating costs of their ports — a matter which BPA has been campaigning to change for some time. Britain's ports are further disadvantaged by additional costs such as light dues. Until these penalties are removed Britain's parts stand little chance of competing with their European rivals for deep-sea traffic.

Nevertheless, the report also pours some cold water on Eurotunnel's hyped traffic forecasts if none of this traffic is available for transport either through the ports or through the tunnel.

For the ports we hope for government initiatives to eliminate light dues, attack European port subsidies and further liberalise port regimes in the UK.

Nicolas Finney,
1-19 New Oxford Street WC1.

FOREIGN AFFAIRS

A culture shock for Europe

Edward Mortimer finds that the problems of Turkish membership of the EC go far deeper than a mere disparity in national income

"TURKEY HAS no intention of paying any political price for full membership" of the European Community, Mr Vahit *Halefoglu, its Foreign Minister*, said at Chatham House last week. He was responding to the resolution adopted by the European Parliament on June 18, which — besides calling on Turkey to acknowledge that "genocide" was committed against the Armenians during the First World War — listed several "insurmountable obstacles to consideration of the possibility of Turkey's accession" to the EC. Among them was "the maintenance of Turkish occupation forces in Cyprus" and the Turkish Government's "denial of the existence of the Kurdish question."

The resolution has certainly not increased the stature of the European Parliament, *if only* because so few MEPs took part in the vote. Those who voted for it may have had some idea of the violent passions they were bound to provoke. Those who were not prepared to vote for it, but let it go through, behaved irresponsibly.

It was bad luck, of course, *that the resolution was followed* that very weekend by a Kurdish terrorist massacre in eastern Turkey. But even had that not happened there would *have* been an outburst of Turkish rage. The Armenian issue is one on which Turkish public *opinion* is ultra-sensitive, partly because it is associated with terrorism and partly *because there is the lurking* fear that, if genocide were once acknowledged, the next step would be a demand for an Armenian state on what is at present Turkish territory.

Turks from President Kenan Evren downwards interpreted the resolution as a European demand that Turkey should cede parts of its national territory to both Armenians and Kurds. This seemed like a return to the attitude of the Entente powers after the First World War, when Greece invaded Asia Minor with the enthusiastic backing of Lloyd George, and the Treaty of Sèvres envisaged the creation of both a greater Armenia and a hypothetical Kurdish state. Most of Turkey's subsequent history can be read as a determined effort by Atatürk and his successors to oblige the Western powers to revise this attitude and to accept the new Turkey as one of themselves.

Among the milestones of that history are Turkey's entry into Nato in 1952 and its association agreement with the EC—which specified full membership as the ultimate goal—in 1963. The application for full membership is thus seen by much of the Turkish elite as the logical next stage.

Yet today Atatürk's heirs find both Europe and the US still harping on the Armenian issue; still siding with the Greeks (at least as seen from Turkey); now apparently encouraging Kurdish separatism as well—and using all these issues to deny Turkey its place *in a European Community* where Greece is already seated. They are beginning to wonder whether all their effort has not been misdirected and in vain.

How strong that mood is may be judged by the fact that the man who has lately expressed it most eloquently is President Evren himself—a man whose whole life has been dedicated to the preservation of Atatürk's heritage, and to securing Turkey's role in Nato. On June 23 he reacted to the vote of the European Parliament by rounding on Nato as a whole, accusing it of tolerating people *who wanted to take territory* from Turkey.

"Even the Warsaw Pact makes no such demands on Turkey," he said. "Nato will have to be reassessed. We did not go into Nato for this." And then came an even more astounding flesh of revision, which implicitly calls into question the central principle of Ataturkism: "what lies behind this is a religious difference. They (the countries of Europe) are all Christian, and we are Moslem."

That was hardly a statement of policy, but it remains deeply significant. It may even represent the first dawn of understanding, on the Turkish side, astounding flash of revisionism, of what the European Community is really about, and why there are problems about Turkish membership that go far deeper than the mere disparity *in per capital GNP*.

If the peoples of western Europe have felt able to come together in a closely integrated community, with the aspiration to become closer and more integrated over time, it is because they have a strong sense of sharing a common culture. It is a culture derived from a common history going back beyond present national and linguistic divisions: the Roman empire, the Latin language and church, the Renaissance, Reformation and Enlightenment.

Greece, which traces its cultural lineage through the Byzan*tine empire and the Orthodox* church, is already the odd man out. Its natural affinities are much more with the Slavic world of eastern Europe. But after 1945 that world fell under the yoke of Stalinism, a fate from which Greece was saved, (in the teeth of resistance from many of its own people) by the determination first of Churchill and later of Truman. It thus became a kind of honorary part of western Europe, which on the whole has welcomed it for Byronic reasons, recognising it as the place where the common ancestors of both east and west European culture once lived.

Greek membership of the EC is thus only a partial anomaly, and Greece is anyway small enough to be an anomaly one can just about live with. *Turkey is a different matter.* Its cultural roots are in Islamic civilisation, not in Christendom. It will join the Community—if it does — as one of the largest member-states, probably the largest in terms of population. As its Prime Minister, Mr Turgut Ozal, wrote in the FT on May 20 that Europe with Turkey would be "a new Europe." The question in many European minds is whether that new Europe would not be too heterogeneous and far-flung to retain, or to develop, a clear sense of its own identity.

The odd thing is that it is only the Greeks, who might seem the least well placed of the Community's existing mem*bers to do so, that are currently* making this point. They are trying to get the Turkish application ruled out of court before the process of considering it even starts. Promises made at the time of Greece's own application in the 1970s—that Greece would *not* take advantage of getting in first to slam the door in Turkey's face—*seem to have been completely* seem to have been completely forgotten.

It would surely be tactically more clever for the Greeks to offer support for Turkish membership, on condition that outstanding issues in Cyprus and the Aegean are

Part of the trouble is that Turks tend to see "Europe" and Nato as aspects of the same Western orientation, whereas west Europeans look to "Europe" for a more sharply defined and more coherent identity than Nato can give them. So when Mr Halefoglu declared at Chatham House that "it would be unthinkable for the European political union of tomorrow to delegate the defence responsibility for its vital interests to others," most of his audience probably thought that a European political union, while it should certainly be better able to defend itself than west European states are at present, would still need allies. The US would be the most important of these, but Turkey not the least.

Mr Halefoglu went on to quote a report of 1956 to the effect that Nato's deterrent role "can be discharged only if the political and economic relations between its members are co-operative and close." Few if any west European leaders would dispute that, or would wish for anything but co-operative and close relations with Turkey, as with the US and Canada. But the European Community aspires to be something more. It is hard not to fear that the process of absorbing Turkey would in the end make it something less.

FINANCIAL TIMES
Tuesday July 14 1987

US warships 'ready to escort tankers'

BY LIONEL BARBER IN WASHINGTON, AND ANDREW GOWERS, AND LUCY KELLAWAY IN LONDON

MR CASPAR Weinberger, the US defence secretary, said yesterday that US warships and aircraft would begin escorting the first of 11 Kuwaiti oil tankers to carry US flags through the Gulf "imminently."

Confirming earlier indications that the escort plan could take place early next week, Mr Weinbergere also said that US forces were ready to attack Iranian Silkworm missilesa if Iran was prepeared to fire them at tankers.

He said in an interview with Knight Ridder newspapers: "The Silkworm is a weapon capable of causing considerable damage. It is important to actually understand that we would not have to wait until it actually hit us."

Earlier yesterday, Kuwait and the US said the reflagging plan was proceeding according to schedule.

Meanwhile, oil prices rose again yesterday after a French tanker was attacked in the Gulf by an Iranian boat. Last night France demanded an immediate explanation of the incident.

In London, the price of Brent crude rose by 10 cents to $19.85 a barrel, while in New York, West Texas Intermediate was trading 16 cents higher at $21.48 by mid-afternoon, the highest since January last year. The market is also being affected by Iraqi claims of attacks on Iranian oil installations.

Oil prices have been driven up by nearly $1 over the past week. Traders have become increasingly anxious about the reflagging of Kuwaiti oil tankers, and many fear that an incident could cause a large jump in the oil price.

Yesterday, the Kuwait News Agency quoted Mr Abdul Fatah al-Bader, chairman of the Kuwait Oil Tanker Company, as saying: "Everything will take place as decided and on time." Reuters reported from Kuwait that the American flag would be hoisted on the 401,382-tonne tanker Bridgeton, anchored off the United Arab Emirates, next Monday or Tuesday. The vessel would then sail with a US naval escort.

A second tanker, the 43,604-tonne Gas Prince, now sailing from the Mediterranean, would be reflagged as soon as it joined the Bridgeton. The remaining nine would be dealt with in the next two months.

In Washington, US officials refused to comment on the report from Kuwait, but said the Administration had always intended that the starting date would be mid-July.

A State Department official said: "There could be a little slippage because of technical hitches, but the target date remains the middle of this month."

The reflagging scheme - offered by the Reagan Administration to Kuwait in response to attacks by Iran on Kuwaiti shipping through the Gulf - has aroused great controversy in the US Congress, misgivings among America's Western allies, and worries about oil supplies.

Many Congressmen fear that the US could be sucked into the Gulf War between Iran and Iraq, Kuwait's ally, and that the Administration has abandoned its neutrality. But President Reagan has stuck to his policy, and Congress has been unable to form a consensus on an alternative plan.

Relations between France and Iran worsen

By George Graham in Paris

THE two-week-old row between France and Iran worsened yesterday after an attack on a French ship in the Gulf and an incident in which an Iranian diplomat claimed to have been beaten up by French border police.

The French container ship Ville d'Anvers was attacked by two gunboats early yesterday morning. French observers say the size and armament of the two vessels appears to match the Swedish-designed gunboats Iran has brought into service in the Gulf.

The French defence ministry authorised a French naval escort vessel, the Victor-Schoelcher, to enter the Gulf and escort the Ville d'Anvers from Bahrain.

In the second incident, a diplomat based at the Iranian embassy in Paris was taken to a hospital in Geneva after an altercation at the French border. Radio Tehran said Mr Mohsin Aminzadeh had been beaten up by French police at the border with Switzerland, and warned France of "the disastrous consequences of its attitude."

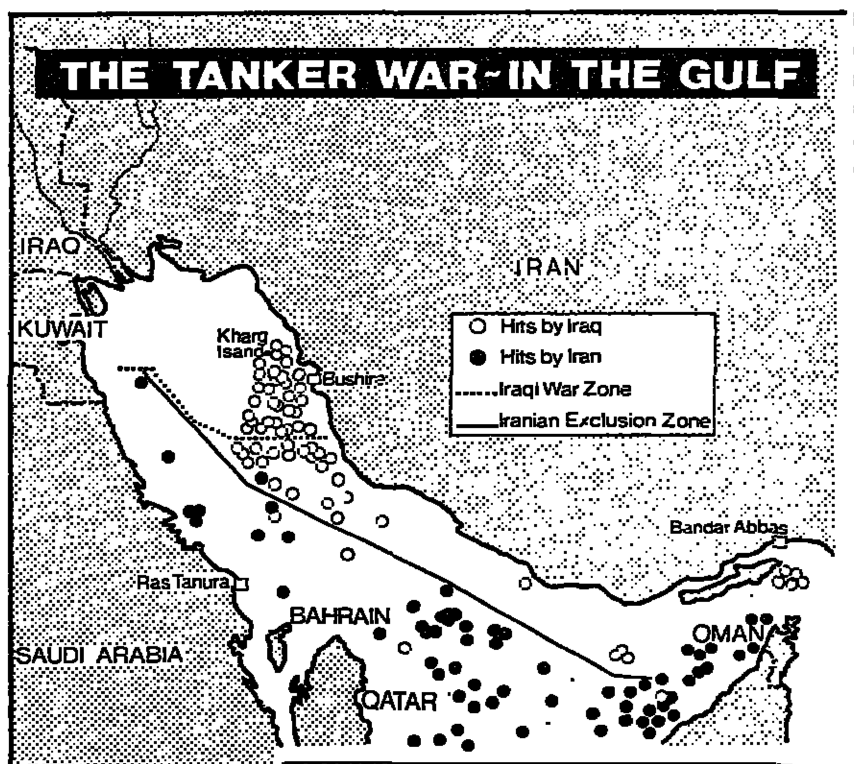
French officials denied that Mr Aminzadeh had been beaten up. They said he had hurt himself by rolling around on the floor after refusing to let customs officers examine his briefcase.

The two incidents have heightened tension between Paris and Tehran which has existed since French police placed a cordon around the Iranian embassy two weeks ago in a bid to catch Mr Wahid Gordji, wanted for questioning in connection with last summer's terrorist bombings in Paris. Mr Gordji has taken refuge in the embassy and refused to come out for questioning.

The row has torpedoed the policy of normalising relations with Iran which was undertaken by Mr Jacques Chirac, the Prime Minister, when he came to power in March 1986.

1 STOV = Small tanker or other vessel 2 VLCC = Very Large Crude Carrier (200,000 tons deadweight +) 3 ULCC = Ultra Large Crude Carrier (350,000 tons deadweight +) 4 Ships sunk or declared constructive total loss

THE TANKER WAR - IN THE GULF



HOW THE NUMBER OF ATTACKS INCREASED

Year	Iraqi attacks	Iranian attacks	Total
1984	21	17	38
1985	30	12	42
1986	55	38	93
1987*	33	27	60
Total	139	94	233

* Correct to July 13 1987.

ATTACKS BY IRAQ

Flag	Total	STOV (1)	VLCC (2)	ULCC (3)	Killed	Injured	Ships lost (4)
Liberia	19	9	9	—	7	15	—
Panama	11	10	1	—	16	2	2
Kuwait	10	6	4	—	2	2	—
Greece	8	3	4	1	—	—	—
Cyprus	7	5	2	—	8	7	2
S. Arabia	5	3	2	—	11	1	1
Japan	4	2	2	—	—	—	—
S Korea	3	3	—	—	4	—	—
Norway	3	1	2	—	—	4	—
Turkey	2	1	1	—	2	4	1
Philippines	2	2	—	—	1	—	—
France	2	—	2	—	—	—	—
Qatar	2	2	—	—	—	—	—
India	2	1	1	—	—	2	—
Spain	2	—	2	—	—	2	—
UK	2	1	1	—	—	—	—
USSR	2	2	—	—	—	—	—
W. Germany	1	1	—	—	—	—	—
Belgium	1	1	—	—	—	—	—
UAE	1	1	—	—	—	—	—
Bahamas	1	1	—	—	—	—	—
Taiwan	1	1	—	—	—	—	—
Singapore	1	1	—	—	8	—	—
India	1	1	—	—	—	—	—
Bermuda	1	—	1	—	—	—	—
Totals	93	58	34	1	50	43	6

ATTACKS BY IRAN

Flag	Total	STOV (1)	VLCC (2)	ULCC (3)	Killed	Injured	Ships lost (4)
Iran	26	8	14	4	20	2	2
Liberia	27	7	19	1	14	5	11
Cyprus	23	5	16	2	6	1	5
Panama	17	15	2	—	8	7	4
Malta	12	8	4	—	—	—	4
Greece	11	4	7	—	2	—	3
Turkey	6	4	1	1	10	7	3
W. Germany	4	4	—	—	6	—	1
S. Arabia	2	1	—	1	2	—	2
Singapore	2	2	—	—	2	—	1
Bahamas	2	1	1	—	—	—	—
Netherlands	2	2	—	—	—	—	—
Norway	1	—	1	—	—	—	1
N Korea	1	—	1	—	2	—	1
S Korea	1	1	—	—	—	—	—
Italy	1	—	1	—	—	—	—
Unknown	2	—	—	—	—	—	—
Totals	140	62	67	9	74	22	38

Iranian gunboats attack French container ship

BY KEVIN BROWN IN LONDON

YESTERDAY'S strike against a French container ship appeared to be the eighth Iranian attack on neutral shipping in the last three weeks.

A French warship was standing by to help the Ville d'Anvers, 21,111 tonnes gross, which was fired on by two gunboats while en route from Kuwait to Dubai. No casualties were reported, however, and the ship was believed to be heading to Bahrain for repairs.

The incident comes only days before the US flagging of Kuwaiti oil tankers is expected and will add to fears of a US confrontation with Iran.

Apart from the two "open register" fleets of Liberia and Panama, Kuwait has borne the brunt of Iranian attacks on shipping, largely because of its support for Iraq in the Gulf War.

While the US action will be welcomed in Kuwait, however, *President Reagan's characterisation of Iran as the chief villain in the Gulf is not supported by the available evidence.*

Iran began the tanker war using Phantom F4 aircraft to attack targets at the northern end of the Gulf, but has subsequently relied more on missiles fired from helicopters, Vosper Mk5 frigates armed with Sea Killer missiles, and fast gunboats of the sort which attacked the Ville d'Anvers.

Many of these gunboat attacks are believed to be carried out by Revolutionary Guards based on offshore islands, and not fully under the control of the Government in Tehran.

The International Association of Independent Tanker Owners, says there is no effective method of defence against attacks, and advises members to make sure their crews are well trained for the critical few minutes after the impact

Bolivia wins unique deal with banks on debt

BY ALEXANDER NICOLL IN LONDON

BOLIVIA is to buy back some of its debt to banks under a novel scheme funded by several Western governments in return for Bolivia's help in reducing the flow of cocaine from the country.

Banks, led by Bank of America, agreed last week to amend the standard clauses in syndicated loan agreements which prevent debtors from buying back debt from individual banks on the principle that all money available to the banks should be shared out equally among them.

The buy-back plan has been under negotiation for more than a year, since some of Bolivia's sovereign creditors indicated during Paris Club talks on debt rescheduling that they would help the country with its debt problems if it was prepared to assist in stemming cocaine traffic.

Their identity is not known, but they are believed to be European and not to include the US which prefers to channel its assistance through other means.

Despite the features of the plan which are special to Bolivia, it could serve as a model for very poor countries with chronic debt repayment problems.

Bolivia owes $900m to banks, including $600m of principal with the remainder made up of arrears on interest payments as well as compounded penalties for non-payment of interest.

Because of the country's economic and repayment difficulties, its debt is quoted at about 10 cents on the dollar in the secondary market although few deals take place.

Under the scheme, Bolivia will make offers over a four-month period to its 131 creditor banks to buy back the debt. During that time it may change the price it is offering - for example increasing it in order to lure more banks to accept. Then, at the end of the period, all banks which have accepted will be paid the same price - the highest which has been offered.

Individual banks will also have the option to convert debt into equity in Bolivian companies rather than taking cash. They may also hold on to their loans in the hope that repayment prospects may improve.

UK group plans new satellite TV channels for W. Europe

BY RAYMOND SNODDY IN LONDON

FIVE LARGE British companies are working on a £50m ($81m) plan to create two new channels of satellite television to broadcast to Britain and the rest of Western Europe from next year.

Carlton Communications, the television services company, Saatchi & Saatchi, the advertising group, and Dixons, the retail chain, have joined with two of the big five ITV companies, Thames Television and London Weekend Television and are now finalising a business plan.

The channels, which would carry general entertainment and films and possibly home shopping programmes, would be carried on Astra, the Luxembourg-based satellite due to be launched next summer. The 16-channel Astra satellite is designed to deliver new television channels to cable television networks and direct to dish aerials 60-70cm in diameter on individual homes.

The news comes as investors in British Satellite Broadcasting, the British DBS franchise, prepare to sign formal commitments today for first round funding of about £225m in the British high power direct broadcasting project.

Founder shareholders, Granada, Pearson (publishers of the Financial Times), Virgin and Anglia Television will be joined by companies ranging from Reed International to Chargeurs of France and Next, the fashion group, in the £625m project.

The £200m satellite contract with Hughes Aircraft of the US for two satellites to provide three new national channels of television will be signed tomorrow.

The formal franchise contract between BSB and the Independent Broadcasting Authority will be signed on Thursday and if all goes according to schedule British DBS could begin its services of entertainment, news and live events from around the world and new films in late September 1989.

Mr John Whitney, director general of the IBA said yesterday: "I think DBS will widen the range of choice offered within the public service broadcasting remit. I have always had a deep conviction that, tangibly and self-evidently, DBS will prove itself to be the future."

But BSB now seems likely to face unexpected competition a year before its launch from the consortium led by Mr Michael Green's Carlton Communications, a company now capitalised at £600m.

The consortium will not take a decision in principle on its proposed two Astra channels before September, but all the signs were yesterday that the project is a serious runner.

The participation of both Thames and LWT would be subject to the approval of the IBA. Thames is already a shareholder in SES, the company behind Astra. But the IBA made it clear that separate permission would have to be sought if Thames wanted to launch a channel on the satellite.

Thames is still looking at a number of options, including putting the Children's Channel, in which it has a 25 per cent stake, on Astra.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	28	82	Malta	S	30	86	Rhodes	S	27	81
Algiers	C	29	84	Edinburgh	C	15	59	Manchester	F	22	72	Rio de J'o	S	32	89
Amsterdam	F	21	70	Faro	F	29	84	Manila	C	31	88	Rome	S	28	82
Athens	S	33	91	Florence	S	30	86	Melbourne	S	13	55	Salzburg	F	23	73
Bahrain	S	39	102	Frankfurt	C	21	70	Mexico City	C	26	79	San Francisco	C	21	70
Bangkok	S	35	95	Funchal	F	23	73	Miami	C	31	88	Seoul	C	27	81
Barcelona	S	28	82	Geneva	S	27	81	Milan	S	30	86	Singapore	C	30	86
Beirut	S	29	84	Gibraltar	S	26	79	Montreal	C	33	91	Stockholm	C	18	64
Belfast	F	19	66	Glasgow	R	16	61	Moscow	C	17	63	Strasbourg	S	24	75
Belgrade	S	30	86	Guernsey	S	21	70	Munich	S	23	73	Sydney	S	14	57
Berlin	C	18	64	Helsinki	C	17	63	Nairobi	S	25	77	Taipei	S	33	91
Biarritz	F	27	81	H. Kong	S	33	91	Naples	S	30	86	Tangier	S	31	88
Bombay	D	30	86	Innsbruck	F	27	81	Nassau	S	34	93	Tel Aviv	S	29	84
Bordeaux	S	32	90	Inverness	C	13	55	New Delhi	S	38	101	Tenerife	S	26	79
Brussels	C	21	70	Islamabad	F	21	71	New York	C	31	88	Tokyo	F	30	86
Budapest	F	30	86	Istanbul	S	29	84	Nice	S	27	81	Toronto	C	34	93
B. Aires	C	19	67	Jakarta	S	32	90	Nicosia	S	36	97	Tunis	S	31	88
Cairo	S	33	91	Jersey	S	23	73	Oporto	C	18	64	Valencia	C	27	81
Cape Town	F	16	61	Jo'burg	S	17	63	Oslo	C	20	68	Venice	S	28	82
Caracas	C	26	79	Lima	C	20	70	Paris	S	26	79	Vienna	F	25	77
Casablanca	F	26	79	Lisbon	S	25	77	Peking	F	30	86	Warsaw	F	20	68
Chicago	C	32	90	London	C	26	79	Prague	F	20	68	Washington	F	24	75
Cologne	F	21	70	Los Angeles	F	22	72	Reykjavik	C	13	55	Zurich	S	27	81
Copenhagen	C	15	59	Luxembourg	F	20	68								
Corfu	S	31	88	Madrid	F	26	79								
Dallas	F	23	73	Majorca	S	32	90								
Dublin	F	21	70	Malaga	C	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Ghost-town threat to Hollywood

BY LOUISE KEHOE IN SAN FRANCISCO

HOLLYWOOD'S movie studios are old hands at creating ghost towns in their famous back-lots, but the image may spread to the front gates this morning if a planned strike by the Directors Guild of America goes ahead.

Yesterday, Guild representatives reaffirmed their determination to strike against Warner Brothers, Colombia Pictures and NBC television, action that would halt production of dozens of television shows and movies, and throw thousands in the Los Angeles movie business out of work.

First victim of the planned strike could be tonight's All Star baseball game in Oakland, California. The annual mid-season special is scheduled to be broadcast on NBC. Also threatened are popular televison comedy shows including the Cosby Show, Family Ties and Cheers. Nobody is laughing at the prospect.

With 8,500 members ranging in stature from famous movie directors to behind-the-scenes production assistants, the Guild has a powerful hold over the movie and television producers.

At issue between the directors and studios are millions of dollars in residual payments that the directors currently receive when their shows are sold to cable television channels or syndicated. The studios and television companies want to reduce the payment.

Over the weekend, last ditch negotiations between Guild representatives and the Alliance of Motion Pictures and Television Producers produced no movement on either side. More talks were planned yesterday morning, but, at Guild strike headquarters, any hope of an 11th-hour settlement was squashed.

THE LEX COLUMN

Elementary, my dear Holmes

Share dealing scandals on both sides of the Atlantic may have caused leading British and American arbitrageurs to adopt a lower profile. But no such inhibitions affect the leading Australian member of the club, Mr Robert Holmes a Court. The announcement that he and his associates could hold over 5 per cent of Sears comes just two days after Mr Holmes a Court revealed that his stake in Texaxo amounted to 9.5 per cent. On the surface the Texaco deal seems the more risky, in that over $800m has been sunk into a stock which yields not a cent. But Texaco's bankruptcy, while deterring the normal run of institutions from buying, cannot disguise the fact that the company is sitting on assets worth an estimated $80 a share, compared with the current market price of $44.

Mr Holmes a Court seems suspiciously anxious to let the market know he was building a stake in Sears. By taking on commitments to buy up to 1.3 per cent of the company in the traded options market, Mr Holmes a Court became much more visible than he he would have been if he stuck to the much less thin main market in the shares. On the other hand, by finding people who would pay for the right to sell him Sears shares at 180p in September, Mr Holmes a Court has found a novel way of meeting some of the financing costs of the Sears stake.

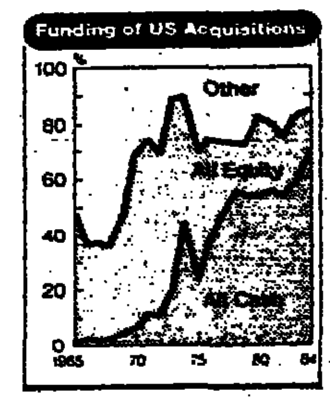
In marking up the Sears share price by only 6p to 180½p, market makers showed admirable restraint yesterday. The shares are already on a demanding multiple of around 18 times prospective earnings, and, whatever his reputation, Mr Holmes a Court has not made money on *every one of his arbitrage* operations.

Merchant banks

If all else seems unpromising maybe a bid, or at least talk of one, will save the day. Takeover fever in the merchant banking sector has almost succeeded in pushing the share price of Morgan Grenfell back to the 500p at which the bank was floated a year ago.

It is tempting to find poetic justice in the plight of the merchant banks, plagued by rumours of deals of the kind which they have *inflicted upon* so many unsuspecting industrial companies. There is, however, one snag in that merchant banking takeovers are uniquely unproductive for corporate finance departments in terms of fee generation: it is not done for merchant banks to call in rivals to advise them, while there are no bonuses to be earned on purely in-house transactions.

While other sector share prices leapt, Mercantile House tumbled 54p to 436p on the termination of bid talks with a still unnamed counterparty. Its combination of robust money broking and US fund management with an unexciting securities business pitched uncomfortably in the second tier has turned it into a potential breakup situation. Its results at the end of the month are due to show a sharp setback from £75m to around £50m pre-tax. But having apparently rejected a takeover approach, Mercantile is now said to be looking at another kind of deal.



Takeovers

Beware of men bearing paper. The old hunch that predator managements and cash-grabbing target shareholders are the only routine beneficiaries from takeovers is, indirectly, supported by the latest research from Professors Mayer, Franks and Harris. Having computed the vital statistics from 2,500 takeovers in the US and UK (1955-1985) they conclude that, even allowing for tax distortions, all-equity offers produce a lower initial premium for target shareholders than all-cash offers; and the share prices of companies merged via equity swaps subsequently underperform the market, especially in the US. This is another way of saying that stock markets - *like most institutions* - are susceptible to hype, and sometimes temporarily overvalue rising companies before correcting themselves. The statistics also confirm the common sense line that proportionately large bids are substantially more likely to be in paper rather than cash. The professors clearly dislike paper-spewing mini-conglomerates and the British obsession with low gearing. Mayer, indeed, says the findings suggest the authorities should be examining all-equity deals rather than highly leveraged ones (Elders for Allied-Lyons).

The problem is that following the rise of the cash alternative in the UK the number of pure all-equity deals provides a desperately small sample. The conventional cash alternative discount also indicates that, at least in those deals, the market is well aware of the possibility of future underperformance. *The mispricing thesis no doubt* has some validity but without a little mispricing takeovers would be far rarer, and following all that recent evidence of market manipulation it is a bit tough to blame the market's irrationality. The more serious arguments surround the post-takeover performance; two years is scarcely long enough to form a solid judgement about industrial rationale.

Morgan Crucible

Morgan Crucible's £85m offer for Holt Lloyd has all the hallmarks of a generosity driven by the hope of avoiding a contested bid. The 20 times forecast earnings being paid has won the backing of a board which controls next to no stock in a company which, three weeks before talks commenced, was contentedly trading on a prospective multiple of 13.

Leaving aside the well-polished arguments about industrial fit, Crucible's shareholders must consider whether the price being paid has been overegged to the point where earnings will need a merger accounted respray. In order to sweeten the pill, Holt's handsome dividend policy is to be extended to all at an aggregate cost of over £12m for Crucible this year.

Given Crucible's unhappy £48m takeover of First Castle Electronics last year it is easy to see why it is prepared to pay to get a good look at the books before bidding. Nonetheless it might take a good deal of waxing before Holt adds some polish to Crucible's bottom line.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 14 1987

CBS to sell magazines unit in $650m buyout

BY JAMES BUCHAN IN NEW YORK

CBS, the US broadcasting and recording group which is in the throes of a deep retrenchment, announced yesterday it was selling its magazine division to senior management for $650m in cash.

The sale of the division which reported pre-tax profits of $9m on revenues of $198.5m in the first half of this year, is the largest disposal yet undertaken by Mr Larry Tisch, the cost-cutting financier who took over CBS in a coup that removed Mr Thomas Wyman as chief executive last September.

Mr Tisch, who became chief executive in January, last year sold the group's book and music publishing operations for $500m and $125m respectively.

He has also tried to revive the flagging financial fortunes of the broadcasting business with sweeping staff reductions in the flagship news operation.

Together with the proceeds of recent debt offering, CBS now enjoys surplus cash amounting to more than $1.6bn.

CBS management said yesterday that the "corporation remains interested in expansion and potential acquisitions in its core businesses, broadcasting and recordings."

Analysts expect Mr Tisch to buy additional television stations.

The magazine group, which includes such titles as Woman's Day, Field & Stream, and Modern Bride, is being sold to a management group led by Mr Peter Diamandis, the division's president, backed by PruCapital and Prudential-Bache Interfunding, two merchant banking subsidiaries of Prudential Insurance of America.

Last year, Mr Tisch apparently rebuffed interest in the magazines from France's Hachette and Gannett, the US publisher.

But Wall Street analysts said yesterday that the offer from the Diamandis group was highly generous.

"Mr Tisch struck a nice deal," said Mr Raymond Katz, an analyst at Mabon Nugent in New York.

Earnings at the division have been held up by a weak advertising market and high depreciation charges against titles bought from the Ziff-Davis group in 1985.

Last week, CBS reported second-quarter net income of $92.1m on revenues of $1.21bn, down from $115.4m on sales of $1.17bn.

The decline was caused by sagging revenues in CBS, which has lost its traditional dominance of prime-time television, partially offset by improved profits from the recording business.

Last year, the CBS board rejected plans to sell the record division, which Wall Street values at more than $1.3bn.

Sheaffer pens group sold for $135m

By William Dullforce in Geneva

GEFINOR Investment, a merchant banking group registered in Luxembourg, has bought the Sheaffer-Eaton pens and stationery division of Textron of the US for about $135m.

The deal was done through Gefinor's US subsidiary whose president, Mr Edward Armaly, said yesterday that the purchase was for Gefinor's own account, although some of its clients might be offered participations later.

Gefinor will keep a majority shareholding, but Sheaffer-Eaton's present management will take a small minority stake and Mr Joseph Biafore, its chief executive, will continue to run the business.

Textron said that disposing of the division was part of its plan to sell off assets which did not fit its long-term strategic objectives. The proceeds would be used to redeem debt incurred in buying the Ex-Cell-O heavy machinery concern last September.

Sheaffer-Eaton, which has its headquarters in Pittsfield, Massachusetts, reported sales of $139m last year and, according to Mr Armaly, is "very profitable." As well as producing quality writing equipment, it specialises in at-a-glance appointment books and report covers. It employs 2,200 people.

Gefinor has offices in Geneva, London, Paris, New York and the Bahamas. It sees Sheaffer-Eaton as a medium-term to long-term investment opportunity and expects the company to expand its operations worldwide, Mr Armaly said.

Established 26 years ago by a group of Middle East investors, Gefinor went public in Luxembourg in January last year with an initial share capital of $100m.

US banks hit by bond trading losses in quarter

BY WILLIAM HALL IN NEW YORK

CHASE Manhattan and First Chicago, parents of two of the biggest US money centre banks, yesterday reported they had lost money in bond trading during the second quarter – one of the biggest shake-out periods in the US credit market for several years.

First Chicago lost $28.6m on trading account activities in the second quarter, compared with a $5.1m profit in the same period last year.

Chase Manhattan reported a $11m loss on its dealer trading account compared with a $9m profit a year ago.

Last week, JP Morgan reported that its "other trading income" fell from $25m to $0.4m in the latest quarter.

This is in common with several leading Wall Street investment banks.

The bond trading losses combined to depress the performance of both banks during a quarter when their results were dominated by the previously reported substantial additions to reserves for possible credit losses in troubled Third World countries.

Chase says that the continuing non-accrual status of medium and long-term cross-border outstandings to borrowers in Brazil and Ecuador reduced second-quarter net income by $30m.

Excluding the effect of the continuing non-accrual status of these loans, Chase's net interest income on a taxable equivalent basis increased over the second quarter of 1986. Other operating income benefited from sharply higher fee and commission income.

However, this was offset by declines in dealer trading account profits, investment securities gains and a lower level of gains from asset sales.

Mr Barry Sullivan, First Chicago's chief executive, says the group's net interest income and foreign exchange trading profits achieved record levels "continuing the positive trends in these areas and in the performance of our principal business units."

Transco Energy slashes dividend

By Anatole Kaletsky in New York

TRANSCO ENERGY, a leading US gas pipeline company that transports nearly $4bn worth of natural gas from the Gulf of Mexico to the US eastern seaboard, has halved its quarterly dividend from 68 cents to 34 cents a share.

While Transco's cutback was not entirely unexpected – shares dropped only $½ to $39¾ in morning trading yesterday – it underlined the difficulties faced by the $50bn US pipeline industry, despite the recent recovery of energy prices.

The reduction of the dividend will save Transco about $35m in cash annually.

Transco said the lower dividend was needed because of difficulties in re-negotiating past contracts with natural gas producers, as well as the failure of efforts to reach a "reasonable" arrangement on cost-sharing with customers and the Federal Energy Regulatory Commission (Ferc).

Transco and most other pipeline operators have been paying large penalties to gas producers because of contracts written in the late-1970s and early 1980s, when natural gas was in short supply.

The pipeline operators committed themselves to paying for stated quantities of gas, whether or not they actually carried this from the fields.

Since 1981, pipeline operators have been unable to sell all the gas to which they had committed themselves

The main long-term solution is likely to be the transformation of pipeline operators from their present role as energy wholesalers into common carriers of natural gas, which would be bought directly by gas utilities from the Gulf Coast producers.

Wattie plans to buy Singapore supermarkets

By Our Financial Staff

WATTIE INDUSTRIES, New Zealand's leading food processor, plans to pay S$271.4m (US$128m) for a majority stake in Cold Storage Holdings, the largest supermarket chain in Singapore.

It has already acquired a 17.1 per cent holding at S$4.25 per share or S$90.5m.

The New Zealand company is offering the same price for a further holding of 42.56m shares to take its entitlement in Cold Storage to 51.3 per cent.

The initial deal was made with Australian and Oriental Trading, while the board of Queensland Trading and Holding said it would meet next week to consider what it described as a firm offer from Wattie for its stake in Cold Storage.

NCR beats forecast with currency gains

BY OUR FINANCIAL STAFF

NCR, the US computer and electronics group, lifted second-quarter net income from $78.8m or 80 cents a share to a better-than-expected $98.6m or $1.05

It said the increased US dollar value of many major currencies was an important factor in its improved earnings.

Revenue in the latest quarter rose to $1.36bn against $1.17bn. The latest profits lift net for the year to $160.1m or $1.69 a share, from $129.1m or $1.30, on revenues up from $2.13bn to $2.48bn.

Mr Charles Exley Jr., chairman and president, said: "These results support our expectations of record earnings and revenue for 1987."

He said the company's European and Pacific marketing groups led the revenue advance supported by growth in the US.

"Our strong revenue growth was the major contributor to the substantial increase in earnings," Mr Exley said.

He said the US dollar value of NCR's worldwide incoming orders posted a substantial gain over the comparable quarter in 1986 and reached a high for the third consecutive quarter.

Orders in the second quarter increased from previous levels in most important products.

"Particularly strong orders were recorded for personal computers and the NCR Tower family of supermicrocomputers. A number of large orders for bank branch-automation systems were also recorded," said Mr Exley.

Apple earnings 65% ahead as sales grow

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the US personal computer manufacturer, yesterday announced third-quarter earnings of $53.5m, a 65 per cent jump from net earnings of $32.3m in the same period last year. Sales increased 42 per cent to $637.1m from the year ago level of $448.3m.

Earnings per share adjusted for a two-for-one stock split were 40 cents compared with 25 cents in the same period last year.

"These results are more evidence that Apple is doing well," claimed Mr John Sculley, chairman and chief executive.

Despite increased competition particularly from IBM, which launched a new range of personal computers in early April, Apple has significantly increased business sales of its high performance Macintosh personal computers, the company said.

Products introduced by Apple within the past year represented nearly 50 per cent of revenues this quarter, the company said.

"Strong momentum continues to build worldwide for our Macintosh products. Shipments of the Macintosh 2 have begun, and we are encouraged by initial demand for this high performance product," Mr Sculley said.

"Apple has entered a new phase," he continued. "The investments we've made are yielding good growth in both revenues and earnings."

For the nine months period Apple reported net earnings of $145.8m or $1.11 per share compared with $121.1m or 95 cents per share for the same period a year ago. Sales rose from $1.39bn to $1.87bn.

Whirlpool falls despite rise in sales

By Our Financial Staff

WHIRLPOOL, the big US domestic appliance group, suffered a fall in second-quarter net earnings from $52.4m or 71 cents a share to $47.4m or 65 cents, despite a slight increase in sales from $1.07bn to $1.14bn.

The company attributed the decline to increased production costs, primarily depreciation and engineering expenses, and selling and administrative costs associated with producing and marketing a full line of KitchenAid home appliances introduced in the first quarter.

The result took earnings for the first six months to $96.1m or $1.31 a share, against $101.6m or $1.38 a year earlier.

Sales rose to $2.1bn from $1.94bn, with increased volume in most product categories.

Last year, Whirlpool reported earnings of $182m or $2.70 a share.

INTL. COMPANIES and FINANCE

Haig Simonian on the W German motor group's boardroom reshuffle

Daimler faces up to its critics

DAIMLER-BENZ's famous three-pointed star, a familiar sight on the rooftops of tall buildings in virtually every big West German city, has been rising fast in the past two years.

A series of acquisitions has built the once solid, if unexciting, car and lorry manufacturer into one of the leading edges of German industry. At the same time, it has become the country's biggest selling and most highly capitalised company. Daimler's worldwide turnover last year amounted to DM 65.6bn ($35.5bn) while group sales in the first half of 1987 rose by 1 per cent to DM 31.5bn.

Yesterday's news that Mr Werner Breitschwerdt, its chief executive since 1983, is to step down and probably be replaced by Mr Edzard Reuter, the finance director and chief strategic planner, suggests that Daimler's many strands will now be brought even closer together. Mr Reuter already chairs Daimler's "synergy committee" which is concerned with developing the future strategy of Germany's hi-tech giant.

Edzard Reuter (left), Daimler's chief strategic planner, and Werner Breitschwerdt, chief executive since 1983.

Daimler's philosophy, like that of some similar industrial groups such as rival car manufacturer BMW, has been to stress and raise the technological content of its products, while broadening its scope across the high-tech board.

However, the company has gone further than most in that respect. In the past two years, it has bought AEG, the electronics concern, Motoren und Turbinen Union, the aero engine manufacturer, and a controlling stake in Dornier, Germany's second largest aerospace group. Speculation still surfaces periodically about a possible stake in Messerschmitt-Boelkow-Blohm, Germany's partner in the European Airbus consortium.

Despite the diversification, upmarket passenger cars remain Daimler's best-known product. Though they only form part of what is now a very wide-ranging group, Mr Breitschwerdt noted less than two weeks ago at Daimler's annual shareholders meeting how its diverse interests could pull together in even its core auto business.

Exclusivitity, top technology and high quality—the corner stones of Daimler's passenger car philosophy—were the only way Daimler would beat off competitors from the Far East which were now trying to break into the luxury car market, he said.

He should know. With 34 years at Daimler under his belt, it was Mr Breitschwerdt, appointed board director for research and development in 1977, who saw in the compact 190 and middle-range 200 series of cars which are now the group's money spinners. Boosted by its higher car volume, Daimler's profits rose to a record of around DM 1.8bn in 1986.

Other figures reflect the group's rapid growth. Daimler now employs 320,000, while its capital spending last year remained a high DM 5bn, with some DM 1.8bn going into the car division. Research and development spending totalled more than DM 3.7bn.

The group has suffered some unexpected jolts to its carefully-cultivated image of late, with criticisms of its medium-sized car range and an embarrassing legal setback which has apparently blocked its planned Boxberg test track, on which DM 50m has been spent so far. Meanwhile, the EEC is due to rule on the legality of some DM 140m or so of infrastructure support for its planned new car factory at Rastatt, in eastern Baden-Wuerttemberg.

Nevertheless, though hardly drops in the ocean, these are still relatively small beer for the size of the company Daimler has now become.

Profit decline at Hochtief to continue

By Our Financial Staff

HOCHTIEF, the West German construction group, said yesterday that profits could continue to decline in the current year as a result of falling orders.

For 1986 group net profits slipped from DM 192m ($104m) to DM 142m, and with both domestic and foreign demand tailing off further this year Hochtief "may suffer lower group and parent company earnings."

During the six months ended June, domestic orders fell to DM 1.49bn from DM 1.81bn a year earlier while foreign demand dipped to DM 610m in the half-year from DM 910m.

Caterpillar registers turnround

BY OUR FINANCIAL STAFF

SHARES in Caterpillar, the largest US manufacturer of earthmoving equipment, rose $1¼ to $59¼ in early trading yesterday after the company revealed a sharp turnround in its fortunes in the second quarter.

Earnings were $118m or $1.20 a share, against $139m or $1.41, reflecting a less favourable mix of product sales and a $34m reduction in benefits from the Lifo accounting method. However, in the first three months of 1987 the company had lost $84m, due to the same factors and to a $49m charge.

The company said that, in the second quarter of 1986, it sold more replacement parts as dealers built up stocks in anticipation of a possible work stoppage.

For the first six months of 1987, the company, formerly known as Caterpillar Tractor, reported net earnings of $34m or 35 cents a share, reflecting the first quarter loss. In the first half of 1986, Caterpillar made $250m or $2.45 a share.

Sales slipped from $3.72bn to £3.69bn, despite an increase from $1.99bn to $2.04bn in the latest three months. This improvement largely reflected the weaker dollar, which inflated European sales when translated into the US currency. The company said it had been able to raise prices.

Caterpillar added that it expects 1987 results to be higher than the $76m earned last year. Additional benefits from an reduction programme, slightly higher physical sales volume and more competitive pricing due to the weaker dollar would contribute to the improvement, it said.

Setback for Kluwer takeover

BY LAURA RAUN IN AMSTERDAM

KLUWER, the Dutch publishing company at the centre of a hostile takeover battle, may be forced to unravel a secret "poison pill" tactic while its white knight, publisher Wolters Samsom, must relaunch its friendly offer.

In a chaotic day when none of the players in the battle seem to know what was happining, the Amsterdam stock exchange warned that Kluwer—facing competing bids valuing it at over Fl 1bn ($483m)—must remove the "double locks on the doors" or face "measures." But at the same time the boarse ordered Wolters Samsom to explain more about Kluwer's defensive tactics in a new version of its July 9 prospectus outlining its public ender offer for Kluwer.

The stock exchange rejected Wolters Samsom's prospectus because it mentioned a "friendly foundation" defensive tactic that was missing in the original, provisional version of the document. In its embarrassingly late move yesterday the bourse also blocked the offer by refusing to list the newly issued convertible preferred shares Wolters Samsom is using along with common stock and cash to buy Kluwer.

Kluwer declined to commen on whether it would get rid of the two friendly foundations which control some of the company's most attractive assets—legal and tax publishers. The two foundations were secretly set up last month, in addition to another publicised foundation, to fight off a hostile bid from rival publisher Elsevier.

Wolters Samsom also refused to say when it would relaunch its tender offer with a new prospectus. There was speculation that the company might even raise its sweetened bid a second time for Kluwer, its bigger fellow publisher.

Yesterday's apparently serious setback for Wolters Samsom sowed great confusion in the market and all the publishers were marked down. Wolters Samsom's share price, however, held up better than Elsevier's and suggested support by Kluwer or its banks as well as uncertainty among investors.

The contested takeover battle has been raging for more than a month and is rare in the Netherlands, where highly effective corporate defences have kept most unfriendly takeover bids from even being launched.

CORPORATE FINANCE

The above Survey which was due to be published on the 23 July will now be published on Monday 27 July

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Dealers react hesitantly to Treasury climbdown

BY CLARE PEARSON

PRICES OF Eurobonds issued by Netherlands Antilles subsidiaries of US companies rose yesterday after a weekend announcement that the US Treasury intended to exempt them from the effects of the termination of its tax treaty with the Antilles.

But dealers did not expect a full immediate revival of liquidity in the sector, and trading yesterday was mostly on an indicated price basis only.

Earlier statements by a number of borrowers that they intended to call outstanding bonds, following the Treasury's original announcement that it would end the treaty, continued to cast a shadow over the market although it now seems unlikely that they will be able to go ahead with the calls.

Zero coupon bonds saw the heaviest trading and the greatest price rallies yesterday, and in some cases prices reached levels not seen since before the Treasury's original announcement two weeks ago. Fully-couponed bonds were less actively traded.

Two US companies tapped the Eurobond market yesterday: Chrysler Financial in dollars with a deal led by Prudential Bache Capital Funding, and McDonald's with an A$100m issue led by Morgan Stanley. Prudential Bache said the bonds carried tighter withholding tax call provisions than would normally have been thought necessary before the Antilles upset.

Chrysler's $125m three-year 8½ per cent bond, priced at 100.85, was intended to capture recent demand for shorter-dated dollar bonds, although dealers said it had excited little interest in the market. It was quoted at less 1½ bid, compared with 1⅞ per cent fees.

But McDonald's two-and-a-half year 13½ per cent issue, and priced at 101½, benefited from the popularity of the borrower's name and traded within the fees.

The Australian dollar Eurobond market was little affected by the weekend Australian general election victory of the ruling Labor Party, though the Australian domestic bond market rallied strongly.

Dealers cited the holiday period on the Continent as the reason for the Eurobond market's failure to respond.

Deutsche Bank Capital Markets was expected to find sales tough for its A$60m five-

INTERNATIONAL BONDS

year issue for State Electricity Commission of Victoria. The 13⅞ per cent issue was priced at 101⅞ and traded at or outside the fees.

Two new issues bearing warrants to buy the equity of Japanese companies appeared, even though dealers said other recent issues were having to be supported heavily by their lead-managers against a background of continuing uncertainty about the Tokyo equity market.

Daiwa Europe led a $100m five-year issue for Yokogawa Electric, with an indicated 2⅞ per cent coupon and par pricing. This was quoted at less 3 bid, compared with 2¼ per cent fees. Meanwhile, Yamaichi International (Europe) led a $70m bond on identical terms for Kobori Juken, the construction company.

Daiwa Europe also launched a $100m floating rate note issue for Jewel, a Cayman Islands company. The bond pays interest at six-month London interbank offered rate plus ⅛, and is priced at 100.10. It is backed by ex-warrant bonds guaranteed by triple-A rated Japanese companies and banks.

Eurodollar fixed rate bonds were barely changed in quiet trading. In the D-Mark sector, prices were steady in thin trading.

Morgan Guaranty led a floating rate issue for Stars 2, a special purpose vehicle which was increased from DM 300m to DM 375m. The bond, which matures in 1998 and pays interest at 30 basis points over six-month Libor, is secured by an outstanding $500m FRN for Ireland. It is callable after five years at par.

In Switzerland, prices ended the day slightly higher in sluggish turnover.

Warburg Soditic increased a five-year issue for Polly Peck, the British-based trading company, by SFr 25m to SFr 75m. The bond has an indicated 6 per cent coupon. The borrower recently launched an equity related issue in Switzerland.

Banque Internationale a Luxembourg led a LuxFr 600m seven-year bond for Kleinwort Benson Lonsdale, with a 7 per cent coupon and par pricing.

Amro Bank announced a Fl 75m five-year equity warrants bond for Yokogawa Electric, will also borrowed in the Eurodollar market yesterday. The bond has an indicated 1⅞ per cent coupon.

● S.G. Warburg Securities announced a FFr 80m secondary placing in the Euromarket of 325,000 shares in Alcatel, the telecommunications group. The shares amount to around 12 per cent of the company's outstanding share capital and were being sold by Thomson CSF, the French electricals company.

Japan's life insurers write off $14.8bn

By Yoko Shibata in Tokyo

JAPAN's 24 life insurance companies wrote off foreign exchange losses totalling Y2,238.3bn ($14.83bn) in the year to March 31, as a result of the yen's steep appreciation. The figure was up 137 per cent from the previous year, according to the Life Insurance Association of Japan.

The association said the insurers wrote off all their exchange losses in the year by selling assets worth Y2,470bn, mostly holdings of securities.

The outstanding value of life insurance contracts surged by 9.8 per cent from fiscal 1985 to Y967,392.7bn ($6,408.7bn), thanks mainly to a rise in individual life insurance and pension-type life insurance contracts.

The total represents an average of Y7.95m ($53,000) for each Japanese citizen — the highest in the world. Premium income rose 21.1 per cent to Y18,741.8bn, boosting the insurance companies' assets 21.2 per cent to Y65,317.1bn.

Of total assets, 41 per cent or Y26,791.8bn was invested in securities, while 39.2 per cent or Y25,636.6bn was used for loans extended by the 24 life companies. This is the first time since 1949 that their securities investments have surpassed loans as a ratio of total assets.

Norway's long term debt rating lowered

By Stephen Fidler, Euromarkets Correspondent

MOODY'S INVESTORS SERVICE, THE US debt assessment agency, Moody's Investors Service, yesterday downgraded Norway's top-flight long-term debt rating in a move affecting about $10.6bn of debt.

The agency lowered Norway's rating from Aaa to Aa/1, saying that it expects Norway to require large amounts of external borrowing to finance current account deficits, "which is likely to result in significantly more onerous debt burdens."

Norway's substantial foreign exchange reserves would only provide a limited cushion against possible balance of payments problems, it said.

Moody's expected the government to introduce relatively tight macroeconomic policies, but said long-term structural problems would be harder to correct. The agency mentioned "the low international competitiveness of Norwegian industry and the country's continuing heavy reliance on revenue from oil and gas exports."

It also downgraded to the same level the long-term rating of Eksportfinans, Norges Kommunalbank and the City of Oslo.

It also cut the ratings on three major Norwegian banks, affecting $4.7bn of debt: Bergen Bank's senior debt and Christiania Bank's senior debt and long-term deposits were lowered to Aa2 from Aa1, while Den norske Creditbank's senior debt was lowered to Aa3 from Aa1.

Moody's put Norway's debt under review in May, the same time as it put the debt rating of Denmark under review. Yesterday, the agency confirmed it would leave the rating on Denmark's $16.6bn of long term debt unchanged at Aa1.

Tokyo to study framework for futures market

By Our Tokyo Staff

JAPAN'S MINISTRY of Finance is seting up a special committe of the Financial System Research Council to study an integrated market that would include trading in currency, interest rate and other financial futures in Japan.

The committee will be asked to study such matters as the relationship between the existing financial futures markets and new ones, qualifications for market participants and the establishment of an unified legal framework to govern all futures markets.

Trading in government bond futures began on the Tokyo Stock Exchange in October 1985, while the Osaka Stock Exchange launched futures trading of a package of 50 OSE-listed stocks late last month.

The securities industry has conducted preparatory work for the introduction of stock index futures trading in the summer of 1988. Direct participation in the index would be limited to the securities houses.

However, the Japanese banks, in an apparent effort to check the securities industry's leadership in this sector, have been calling for an integrated financial futures market for trading in securities, interest rates and currencies.

Credito Italiano

THE CREDITS column in yesterday's FT stated incorrectly that Credito Italiano was the first Italian bank to arrange a Euro-certificate of deposit programme. It is the first triple A rated Italian bank to do so.

US reveals market's Antilles heel

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

COURTESY OF the US Treasury, investors in $30bn of international bonds issued by US companies have just completed an involuntary—and rather scary—two-week roller coaster ride.

While they have arrived back more or less where they were bundled on, neither they nor, it is to be hoped, the Treasury itself will quickly forget the experience.

For, apart from the reputation of the Treasury, the main casualty in this whole affair may be the Eurobond market.

The June 29 announcement that the US would terminate from the year-end its tax treaty with the Netherlands Antilles would have triggered the early redemption, or call, of an estimated $30bn of Eurobonds issued by US companies through finance subsidiaries in the Caribbean tax haven.

This would have benefited issuers, which launched most of the bonds at the high interest rates prevailing in the early 1980s. But it would have severely disadvantaged many bond holders and indicated prices of the affected bonds thus fell almost immediately between 10 and 25 per cent.

More disturbing for the longer term, however, was the complete evaporation of the market in the affected bonds. Market makers melted chameleon-like into the background, just as many did in the floating rate note market debacle last year, and the liquidity of a large section of the market turned out to be little more than a mirage.

Ultimately, both investors and dealers in Eurobonds suffer from the disappearance of liquidity since it further fosters an already significant trend in the shift in the focus of international investors away from the Euromarkets and towards government bond markets where liquidity is less transitory.

Conservative investors, such as the Japanese, are increasingly looking abroad to invest. But they want to ensure that the markets in which they deal in shares and bonds are highly liquid.

According to the Treasury, the Antilles treaty was ended as part of a US policy to eliminate the chances for abuse of US income tax treaties through "treaty shopping," where residents of third countries use entities in a treaty country to derive income from US investments to avoid paying US tax.

But the decision, as the Treasury admitted late last week, created "a risk that potential lenders in the Eurobond markets will lose confidence in the US government's ability to preserve efficient access to all capital markets for US borrowers and to avoid retroactive tax effects."

Once in the hole, the Treasury kept digging. Its statement on July 2 that it would propose so-called grandfather legislation to preserve the existing tax position on the bonds sowed more confusion. Many of the bonds were apparently still callable while the prospects for the legislation remained uncertain, and threats began to emerge of legal action by bondholders to prevent issuers from calling their bonds.

The apparent reason for this partial climbdown, was first outlined by Mr J. Roger Mentz, Assistant Treasury Secretary (Tax Policy). It was, he suggested in an interview with the New York Times, because the Treasury had underestimated the number of Americans who held the bonds and who would lose out.

The inference taken in Europe was that nailing foreign investors to the cross of US tax policy was acceptable, but that once Americans started to get hurt, that was taking things too far.

Many US institutional investors have often been able to pick up substantial gains in yield by buying Eurobonds issued by US companies rather than their domestic bond issues. They are free to buy such bonds once they become "seasoned," 90 days after issue.

Perhaps fearing a welter of fresh calls this week, the Treasury finally decided to sort out the problem on Friday. It said it would terminate only part of the treaty, leaving intact, for now, the part affecting the tax position of the Eurobonds. The extant sector of the treaty would then be terminated after the grandfather legislation had been passed.

Observers might be excused for asking why this was not done in the first place. Clearly, the Treasury's haste played a part. It could only end the treaty at a year-end and had to give six months' notice in doing that.

In the early stages, it was clearly under the impression — perhaps on State Department advice—that a partial termination of the tax treaty was not possible.

According to Mr Mentz in a letter to Congress last week, the latest step "removes the legal basis for exercising the redemption provisions of the Eurobonds."

That, according to lawyers who follow the Eurobond market, probably also applies to the estimated $1.4bn of bonds which have already been the subject of call announcements.

Mr Les Samuels and Mr Edward Kleinbard, partners at the New York firm of Cleary, Gottlieb, Steen and Hamilton, said of the Treasury move: "We believe that any issuers that did not seek to rescind its notice of redemption would face litigation from affected bondholders, and that the likelihood of such holders prevailing is substantial."

One immediate consequence of the affair was the tightening up of tax clauses newly-issued Eurobonds, and the International Primary Market Association, which groups the leading Eurobond underwriters was yesterday discussing the standardisation of these tax-call provisions.

Criticism over policing for Chicago Mercantile

BY DAVID OWEN IN CHICAGO

THE COMMODITY Futures Trading Commission, the US futures industry watchdog, has criticised aspects of the Chicago Mercantile Exchange's rule enforcement procedures in a recently released review.

The review, directed at 1986 disciplinary matters April 1, 1987, was, however, generally favourable towards the fast-growing exchange's enforcement efforts.

The Merc came under fire earlier this year for inefficient order filling and alleged trading abuses in its crowded Standard & Poor's stock-index futures pit.

Among the shortcomings highlighted by the commission's document were instances when the exchange "did not consider possible rule violations which were indicated in the course of an investigation," and its failure to develop a programme for routine re-examination of past exemption approvals.

The commission also criticised the duration of some exchange investigations "in part because of a lack of personnel relative to the compliance department's case load." The Merc is in the process of hiring 11 additional employees in the compliance area.

On a more positive note, the review found that the Merc's trade practice investigations "generally were thorough"

Rate rise gives breathing space to La Electricidad

LA ELECTRICIDAD de Caracas, Venezuela's largest private electric utility, has been permitted a 74 per cent rate increase that will allow it to stay in business and make repayments on its $622m in foreign debt, the company said yesterday, Joe Mann writes from Caracas.

Until recently, La Electricidad had said foreign debt repayments and domestic investment needs would force it into bankruptcy by 1990 without a substantial rate increase.

The government approved the increase for commercial and industrial electricity subscribers, retroactive to July 1.

The company has earned profits in every year except 1984, but has been hit hard by the series of devaluations carried since 1983. La Electricidad is regarded as one of the most efficient private companies in Latin America.

Mr Francisco Aguerrevere, the utility's president, said the new rate structure would give the company "economic breathing room" until 1989, and would generate 1.3bn bolivars ($44.8m) a year in additional revenue.

La Electricidad holds the largest foreign debt of any Venezuelan private sector company. It serves domestic and commercial users in the capital city, with a population of some 4.5m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	+0¼	+0⅛	9.03
A/S Eksportfinans 7⅝ 93	100	93⅝	94	−0⅛	−0⅛	8.96
A/S Eksportfinans 7¼ 92	150	94⅛	94½	−0⅛	−0⅛	8.82
Austria 7¼ 97	200	92	92½	0	−0⅞	8.97
BP Capital 9⅛ 94	100	101⅝	102⅛	+0⅛	−0⅛	8.73
British Telecom 7⅝ 96	250	91	91½	+0⅛	−0⅛	9.05
Campbell Soup 10½ 95	100	108⅝	109	+1½	+1⅛	8.95
Canada 9 96	1000	[illegible]	[illegible]	+0½	−1	8.90
Canadian Pac. 10⅛ 93	100	104⅝	105⅛	0	−0⅛	9.60
CCCE 7⅛ 91	113	95⅛	95⅝	−0⅛	−0⅛	8.40
CNCA 7⅛ 91	150	94⅝	94⅞	−0⅛	−0½	8.74
Citicorp 8⅛ 93	200	93⅛	93⅝	0	−0⅛	9.72
Credit Lyonnais 9 91	200	101⅛	101⅝	−0⅛	−0⅛	8.52
Credit National 7⅝ 92	100	95⅜	95⅞	−0⅛	−0½	8.51
Credit National 9⅛ 93	150	†102⅛	102⅝	+0⅛	−0⅛	8.55
Credit National 7⅛ 91	150	95½	96	0	−0⅛	8.42
Denmark Kingdom 7⅛ 92	500	93⅛	93⅝	0	−0⅛	8.91
Denmark Kingdom 8⅛ 91	300	98⅛	98⅝	−0⅛	−0⅛	8.75
EEC 7 91	100	95⅜	95⅞	+0⅛	−0⅛	8.24
EEC 8⅛ 96	100	95½	96⅛	−0⅛	−0⅛	8.96
EEC 7⅛ 93	250	93¼	94⅛	−0⅛	−0⅛	8.62
EIB 7⅝ 93	100	†94⅛	94⅝	−0⅛	−0½	8.74
Finland 7⅝ 97	200	91⅝	92⅛	−0⅛	−0⅛	9.17
Finland 7½ 93	200	93⅝	94⅛	0	−0⅛	8.76
Ford Motor Cred. 10½ 91	150	105⅝	106⅛	−0⅛	−0⅛	8.78
Ford Motor Cred. 11⅝ 90	100	106⅝	107⅛	+0⅛	+0⅛	8.28
Gen. Elec. Cred. 10⅛ 00	200	†103½	104	+0⅛	+0⅛	9.72
Hoesch 7⅝ 92	100	96½	97⅛	0	+0⅛	8.22
Hoesch 7⅝ 94	300	95⅛	95⅝	0	−0½	8.80
Hoesch 8⅛ 97	100	95⅛	95⅝	−0⅛	−0⅛	8.95
Liberty Mutual 8½ 96	150	95½	96	0	0	9.22
LTCB of Japan 8 91	100	98	98½	−0⅛	0	8.52
LTCB of Japan 8 97	200	92½	93	0	−0⅛	9.16
Mercds.-Benz Cred. 7½ 93	100	†96⅛	96⅝	−0⅛	−0⅛	8.28
Mitsubishi Fin. 7⅝ 93	100	94⅛	94⅝	−0⅛	−0⅛	9.05
Mutual America 7⅝ 92	100	†95⅝	96⅛	+0⅛	−0⅛	8.75

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INTL. COMPANIES and FINANCE

Anamint stake sold to De Beers

BY JIM JONES IN JOHANNESBURG

MINORCO, the Bermuda arm of South Africa's Anglo American group, has sold its entire 10 per cent interest in Anglo American Investment Trust (Anamint) to De Beers for US$519m, prompting speculation in Johannesburg that the Anglo American/De Beers group is to be restructured.

Though the group will neither confirm nor deny it, Johannesburg stockbrokers believe the intention is to separate as completely as possible the South African and foreign operations because of political fears.

Minorco, De Beers, Anamint and Anglo American control each other through interlocking shareholdings and common boards of directors. Anamint owns 27.3 per cent of De Beers and has important direct holdings in De Beers' diamond trading companies. Apart from the Minorco holding, 52 per cent of Anamint's equity is owned by Anglo American which also owns 7 per cent of De Beers and 39 per cent of Minorco.

De Beers, in its turn, owns 21 per cent of Minorco and 38 per cent of Anglo American. The Anamint stake represented about 5 per cent of Minorco's total assets.

Mr Neville Huxham, a De Beers official, says the purchase price is to be paid in rands, which Minorco will transfer out of South Africa through the financial rand market. In effect this means De Beers is paying for an increased interest in itself and a tighter hold on its diamond trading companies. Minorco plans to use the sale proceeds to finance mine developments elsewhere.

Mr Roger Phillimore, a director of Minorco, says his company had never looked upon the Anamint investment as long-term. Minorco acquired the shares from Charter Consolidated in 1979 when the Anglo American group was last restructured and Charter, in its turn, acquired them in the early 1960s from other group companies which were merged to form Charter.

Johannesburg brokers say the Anamint shares are crucial to the centralised control of the Anglo/De Beers group.

Rand Mines bucks trend in second quarter

BY OUR JOHANNESBURG CORRESPONDENT

THE FOUR gold mines managed by the Rand Mines group of South Africa defied the industry trend of sharply rising unit costs in the June quarter.

Blyvooruitzicht and Durban Deep reduced their average costs of mining and processing each ton of ore, while East Rand Proprietary Mines (ERPM) and Harmony held quarter-on-quarter unit cost increases to less than 4 per cent, in part because of increases in production.

The group's cost reductions contrast with quarter-on-quarter increases of as much as 13 per cent reported last week by mines managed by Gold Fields of South Africa.

GOLD MINE QUARTERLY RESULTS

	Gold produced (kg) June 87	March 87	After-tax profit (R m) June 87	March 87	Earnings (cents per share) June 87	March 87
Blyvoor	3,026	2,965	16.48	13.87	43.4	40.6
Durban Deep	1,779	1,745	1.77	1.10	(164.4)	(135.3)
ERPM	2,186	2,135	(15.42)	(16.29)	(473.1)	(385.8)
Harmony	7,363	6,761	44.66	31.73	44.2	37.8

Earnings per share calculated after capital expenditure. Figures in parentheses are negative. ERPM made after-tax losses in both quarters. Durban Deep's capital spending exceeded taxed profit in both quarters.

However, Johannesburg stockbrokers believe the Rand Mines results are not an indicator of the likely performances of other gold mines which are due to report later this week. They point out that lower production had lifted unit costs sharply at Blyvvor, ERMP and Durban Deep in the March quarter, and that the June performances are due to restoration of production.

ERPM has continued to suffer operating losses and to spend heavily on capital projects needed to open new mining areas and increase production rates, which will allow the mine's life to be extended into the next century.

Durban Deep was not affected by the equipment breakdowns which plagued operations in the March quarter. The mine's plant and equipment are particularly old, but management has not discouraged analysts' belief that the mine will eventually open virgin ground in the southern part of its property and establish new shafts and processing facilities when it does so.

Blyvooruitzicht's management has estimated that the mine will exhaust its remaining ore sometime between 1991 and 1994.

Better bottom line for Orient Overseas

BY KEVIN HAMLIN IN HONG KONG

ORIENT OVERSEAS Holdings, the publicly listed arm of the C. H. Tung shipowning group, which was saved from collapse by a US$2.8bn capital restructuring completed in January, recorded an operating loss after interest of US$81.1m last year, compared with a $4.6m deficit in 1985.

Orient showed an operating profit before interest of $7.5m last year, down from $78.6m but consolidated losses amounted to $102.2m, a substantial improvement on the $543.5m loss at the end of 1985.

Mr C. H. Tung, chairman and chief executive, commenting on the results, said: "There remains much to be done, but a good start has been made. We are confident in our ability to meet the challenges of the future."

Mr Bob Chase, financial controller, added: "The group has been trading profitably at the bottom line since the restructuring was completed." Turnover would reach $1.2bn this year, he forecast, slightly up on the 1986 figure.

According to Mr Chase, the recovery of freight rates since the middle of last year, good load factors on Pacific operations, and steady bunker prices, augur well for the group's performance this year. Analysts say the group could return a net profit in excess of HK$230m (US$29.5m).

Sumitomo Electric group net profits improve 22%

BY YOKO SHIBATA IN TOKYO

SUMITOMO ELECTRIC Industries, Japan's largest manufacturer of electric wire and cables, together with its 18 subsidiaries and 34 affiliates, yesterday reported improved group net profits of Y16.69bn ($110.8m) for the year to March, up 22 per cent.

Strong earnings of subsidiaries such as Sumitomo Denso and Sumitomo Densetsu, as well as contributions from equity-accounted affiliates such as Sumitomo Rubber, helped produce the good showing. Consolidated net profits were 1.39 times the result recorded for the parent company alone compared with 1.20 times in the previous year.

The group scored an increase of only 3 per cent in consolidated turnover to Y731.67bn however, affected by poor demand for products of the parent and seven subsidiaries.

Consolidated pre-tax profits showed a meagre 0.3 per cent rise to Y31.69bn. The higher growth in net profits was attributed to an earnings recovery at Sumitomo Rubber's overseas subsidiaries, boosting equity income by 47 per cent overall to Y1.9bn.

For the current year, consolidated net profits are projected to emerge slightly lower at Y16bn, despite a rise in turnover to Y740bn.

● Takeda Chemical Industries, Japan's leading producer of pharmaceuticals, boosted group net profits by 22.3 per cent to Y28.41bn in the year to March on sales up by just 3.6 per cent at Y571.48bn, adds our financial staff.

On a pre-tax basis, profits of Y65.76bn were a more modest 11.7 per cent higher. Group net earnings per share were stated as Y36.46 compared with Y30.02.

The Japanese drug industry has been benefiting recently from new product launches as well as a reduction in pressure from the authorities to curb prices for supplies to state hospitals.

Kubota earnings jump

BY OUR TOKYO STAFF

KUBOTA, Japan's leading manufacturer of agricultural equipment and industrial pipe and machinery, showed a 62.9 per cent jump in consolidated net profits to Y12.46bn ($82.7m) for the year to April 15.

This was achieved despite sales for the year falling by 1.5 per cent to Y646.4bn, and Kubota attributed the good earnings outcome to "aggressive cost-cutting efforts throughout the company."

Net profits per American depositary share were given as Y183 compared with Y113. The consolidated result reflected performances of seven subsidiaries and 127 equity-accounted affiliates.

Export sales for the year dropped by 18.8 per cent, affected by the continued strength of the yen against the dollar. Only the housing related equipment sector performed well, with a rise of 19.7 per cent. Exports represented 17.1 per cent of total sales, down from 20.7 per cent in the previous year.

FLEMINGS JUNE

CapCo in £59m Australian property deal

THE INDEPENDENT, 12.6.87
Flemings were sole manager and broker to the issue outside Australasia, placing 30 million units.

Dairy Farm success in Kwik-Save offer

FINANCIAL TIMES, 1.7.87
Flemings helps DAIRY FARM to complete the largest successful tender offer of recent years.

Placing puts £28.2m value on Lancaster

THE INDEPENDENT, 27.6.87
Flemings sponsors LANCASTER'S full listing via a £7.3m placing.

Redfearn expands into packaging

FINANCIAL TIMES, 30.6.87
Flemings client REDFEARN expands, with a successful £19.5m acquisition.

Rivlin in £28.2m deal for Mayfair & City

DAILY TELEGRAPH, 19.6.87
Flemings client RIVLIN acquires City & Mayfair Properties.

Suter wins contest for Mitchell Cotts

FINANCIAL TIMES, 27.6.87
A successful takeover for Flemings client SUTER.

Magnum opus for Flemings at Phicom

THE LONDON EVENING STANDARD, 14.5.87
Flemings arrange management buy-in at PHICOM.

It looks especially feeble against Robert Fleming's deal for Valin Pollen to acquire an American business of greater size. Here, despite the founders controlling ... Fleming seems to have set several impressive firsts with the deal, as the price of the share issue, to be fixed this morning, will be over £4, against a suspension price of 290p. ... Underwriting commission, for a full six weeks, is 1p.c. on the claw-back, and precisely zero on the firm placing. There is a lesson here, surely, for the Government in the underwriting of BAA.

DAILY TELEGRAPH, 23.6.87
Innovative underwriting enables Flemings client VALIN POLLEN to acquire a larger US company.

Sit tight with the Abdullahs

MARKET MISCELLANY

SUNDAY TELEGRAPH, 14.5.87
Flemings client EVERED acquires Hallite.

The Great English Summer may have started this year as something of a washout.

But for Flemings, at least, the business climate was anything but dull.

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They included recommended offers, a contested bid, several placings, a new issue, the largest successful tender offer of recent years, a management buy-in and the launch of an important new property trust. (And several highly innovative underwriting operations which others, no doubt, will shortly be trying to copy.)

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Anglo United's acquisition of LCP Fuels
Capcount Property Trust launch
Dairy Farm's tender offer for Kwik-Save
Evered's recommended offer for Hallite
FKI's recommended merger with Stone International
Harold Ingram's acquisition of Readson & Cox Moore
Lancaster–full listing and placing
Phicom management buy-in
Reabrook–recommended offer from Yule Catto
Redfearn's acquisition of Bunzl Flexpack
Rivlin's recommended offer for Mayfair & City Properties
Spong Holding's recommended offer for Norank
Suter's successful bid for Mitchell Cotts
Valin Pollen's acquisition of The Carter Organisation
Walker Greenbank's acquisition of Wilcomatic

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Morgan Crucible bids £85m for Holt Lloyd

Morgan Crucible yesterday announced an agreed £85m all share takeover for Holt Lloyd International — the terms of which sufficiently pleased the market that the bidder's share price closed up 3p at 377p, writes Terry Povey.

The terms of the offer — 15 new Morgan shares for every 31 of Holt — values each of the target company's shares at 182.4p. This is a little below last night's close for Holt, up 28p at 184p.

Mr Tom Heywood, Holt's executive chairman, welcomed the takeover, stressing the commitment to management continuity that both parties had made. If the bid succeeds he will become non-executive chairman of a new car-care products division within Crucible, while Mr James Pert and Mr Philip Hannam, presently executive directors at Holt, will respectively become managing director and finance director of the same division. Mr Howard Elkins will continue as president of Holt's speciality chemicals oeprations in North America.

Holt shareholders will be entitled to receive that company's final dividend of 2.65p for 1986-87 in July and to receive both the interim and final dividends to be paid this year by Crucible. In its offer announcement, the bidder has forecast that the total payout for this year will not be less than 10p a share.

To satisfy the all share offer, Crucible will need to issue 23m shares, which will take its capital total up to 118.256m.

Crucible's long-standing adviser is Morgan Grenfell, *obliging Holt to switch from* this merchant bank to County Bank.

See Lex

Terry Povey looks at the ramifications behind the Morgan/Holt bid

Hoping to polish up in the US

YESTERDAY'S agreed £85m bid for Holt Lloyd International will take Morgan Crucible, the industrially oriented materials technology group, into the potentially lucrative car-care consumer products field and enable it to expand in North America.

Holt Lloyd makes and distributes car-care products and speciality chemicals. It claims a 35 to 40 per cent share of the UK market for its vehicle waxes and sprays.

Both managements were yesterday stressing that there is a close fit between the two companies and that no major changes are planned at operating levels.

"Holt's speciality chemicals operation in North America would fit well with our lubricants business while in the UK we have a number of products that could be marketed directly to consumers via Holt," said Dr Bruce Farmer, Crucible's managing director. The two companies know each other well as Holt has been distributing Crucible's products in Australasia for 12 years.

Mr Tom Heywood, Holt's 62-year-old executive chairman, added that the merger "contained some very exciting product synergies," would enable it to expand into certain markets, for example those in South America, where it was presently under-represented and provide the financial backing for growth by acquisition. He denied that his wish to retire was a major factor in recommending Crucible's offer but added that the timing was "very convenient."

Also of importance for Crucible, the all share deal could boost the size of the group beyond the point where it will look an easy target for raiders—on last night's 377p close the expanded Crucible will have a market worth of £446m.

Tom Heywood (left) chief executive at Holt Lloyd International, and Dr Bruce Farmer, managing director of Morgan Crucible.

Less than two months ago Mr Robert Holmes à Court's Bell group sold its 19.5 per cent stake in Crucible after 18 months of anxiety as to the Australian financier's intentions. Discussions with Holt were commenced just two weeks after the Bell stake was placed with institutions.

Until a major shake-up in 1980, Morgan Crucible was the epitomy of a declining smoke-stack company that fell on hard times as the UK's steel and engineering industries collapsed in the late 1970s.

After severe rationalisation, the group was redirected towards advanced materials technologies—so much so that few in the City were able to come to grips with its boffin and product-led resurgence until recently.

As part of its new look, Crucible's overseas sales were built up—something it shares with Holt Lloyd—and through Rocol a major speciality chemicals, mainly lubricants, operation was added. Over the last three years Crucible has attempted to add an electronics division to its other four.

However, February 1986's £48m takeover of First Castle Electronics proved disappointing and Crucible is currently suing the vendor board and its professional advisors.

After its profits hit a decade long low of £9.8m pre-tax in 1983, Crucible has recovered strongly—to hit £23.6m last year in spite of the poor maiden First Castle contribution.

Prior to this bid, analysts were forecasting £31m for 1987—and in the offer announcement the group has forecast that its dividend (on the expanded capital) total for this year will be at least 10p—against 9.2p actually paid for 1986 and 7.4p adjusted for the new shares.

Dr Farmer said yesterday that he expected "no or at worst very little earnings dilution this year" if the takeover succeeds. Crucible was likely to merger account Holt this year he added.

Holt Lloyd began life as a subsidiary of Lloyds Packing Warehouses in the early 1960s. In 1962, Mr Tom Heywood and Mr Fred Pert launched an American car care product—Turtle wax—in the UK backed by £20,000 of working capital. The launch was a considerable success and in 1968, Lloyd Industries International was floated off as a separate company with a market worth of £1.2m. In 1975, this company merged with Holt to form the present car-care and speciality chemicals group.

After a major profits collapse in 1982-83, Holt quickly recovered to report pre-tax profits of £4.9m in the following year. In the year to February 28, it reported profits of £7.4m and, according to Mr Heywood, now sells to almost all the DIY retail and garage chains.

For this year, analysts are forecasting £8.1m for Holt, putting the Crucible offer at 20 times the City's expectations.

Analysts point out that while Holt distributes many well known brand names it has been very dependent on the efforts of others to develop new products—whereas Crucible has research and development facilities strong enough to service both companies.

Bell Group confirms 5.3% stake in Sears

By Nikki Tait

Bell Group, the master company of Australian entrepreneur Mr Robert Holmes à Court, together with an associate company, J. N. Taylor, yesterday confirmed that it either holds or has options over 5.3 per cent of the shares in the UK stores and footwear group, Sears.

The equity stake itself amounts to 60.7m shares—worth £109.5m with Sears shares up a further 6p to 180½p yesterday—or 4.06 per cent. In addition, the company is interested in 18.8m shares—another 1.26 per cent—through put options written in the traded options market. A number of these are believed to be the September 180 series.

Yesterday Mr Geoffrey Maitland Smith, chairman and chief executive of Sears, said he understood Mr Holmes à Court had been "in and out" of Sears over the past 12 months, though never before on this scale. There has been no contact other than formalities over this share purchase, he added, and there were no plans to meet Bell. Any meeting would depend on Bell: "It's up to them," he remarked.

No one at Bell's London office was available yesterday. However, the share-purchasing was not done through Bell's normal UK broker, Warburg Securities; Panmure Gordon, which is believed to have done the business, also refused to comment.

Cargo Fleet helps Ellis & Everard rise 77%

BY JANICE WARMAN

Ellis & Everard, the UK's leading independent chemical distributor, produced pre-tax profits up by 77 per cent to £6.61m after a large contribution from its Cargo Fleet Chemicals subsidiary.

In its first full-year contribution, Cargo made £40m of the group's £135.85m turnover, which was up 48 per cent for the year to April 30.

Cargo had benefited from the ebullience of the petrochemicals market, improved margins, and exceeded the group's expectations, said Mr Peter Wood, finance director. It was now just outside the top ten in the US.

The solvents and petrochemicals business, Prillaman, which had been hit by lower oil prices at the interim stage, had improved its profits in dollar terms, he said, and was "responding to treatment."

Mr Simon Everard, chairman, said the acquisition of Apperson Chemicals of Florida had strengthened the group's geographic and commercial presence in the south east of the US.

The UK marketing division had had a successful year and US profits had increased, despite higher insurance costs, a less favourable exchange rate and an increasingly competitive market place.

The group is looking for further acquisitions in the US and the UK. It plans capital expenditure of £6m, compared with £2.8m last year, and that should push up its gearing from below 15 per cent to over 25 per cent.

Earnings rose by 47 per cent from 12.9p to 19p, and a final dividend of 4.5p will make a total for the year of 7p per share, compared with 6.5p for 1986.

The group is proposing a one-for-two scrip issue to increase its marketability, said Mr Wood; ICI own a 27.3 per cent stake.

● comment

A hefty boost in pre-tax profits this time around was supported by an excellent contribution from Cargo Fleet — and widely anticipated by the market. Margins in the US improved in difficult market conditions, although they were nowhere near as good as those in the UK; group-wide they are at just under 5 per cent. Ellis is regarded as a well-managed company with the ability to produce results; perhaps the addition of a chief executive in the US will tighten up the performance there. The only question mark is whether Cargo can produce the goods again in the current financial year; if not, underlying growth elsewhere in the group may not be enough to support the expected increase in earnings without a sizeable acquisition. With that in mind, the City is opting for a rather cautious £7.6m pre-tax, with earnings of 21p and a prospective p/e of 17½ on shares up 18p at 378p: a substantial premium to the market.

Ratcliffe cash call after cutting losses

BY STEVEN BUTLER

F. S. Ratcliffe, the troubled precision spring manufacturer, has cut pre-tax losses to £79,905 in the 11 months to the end of March, compared with a loss of £187,070 in the year to the end of April 1986.

The group yesterday announced a major acquisition, and issued a cash call to shareholders for £3.7m.

Ratcliffe's turnover of £2.43m compares with £2.05m in the previous period. Loss per share was cut from 17.28p to 4.33p.

The £3.3m acquisition of Marwin, the Leicester-based cutting tool and small parts storage and handling equipment manufacturing company, is to be satisfied by the issue to Marwin of 2.1m new ordinary shares for its ordinary share capital, and £663,625 for preference shares in Marwin.

Marwin has an annual turnover of £15m, and has forecast a doubling of profits to £637,080 in the year to October 3 1987. Further payments to Marwin will depend on profit performance.

The one-for-one rights issue at 125p per share will provide funds for reduction of group borrowings and to finance capital investment. This includes purchase of a freehold West Bromwich factory, and the £150,000 purchase of the spring manufacturing business of Jonas Woodhead, the assets of which had a book value of £252,000.

Ratcliffe also announced the renewal of its sole supplier agreement with Automotive Products to provide springs until September 1991.

Ratcliffe has undergone significant restructuring since the appointment of a new board in April 1986, and is changing its name to Ratcliffe Industries. Ratcliffe's shares were suspended last month at 150p pending announcements.

Telfos buys US stake

Telfos, the manufacturer of non-ferrous rods and metal spraying equipment which recently signalled the start of an acquisition programme, has paid $1.5m (£929,006) for a stake in a US company with the aim of using it as a springboard for US expansion.

It has acquired 10 per cent of the ordinary shares and 50 per cent of the warrants in CDS, a Californian holding company quoted on the Nasdaq over-the-counter market. It obtained the shares through a CDS placing.

CDS has two subsidiaries: Consolidated Packaging, which markets paper products, and Marcom Telecommunications, which supplies telephone equipment. Both were acquired by CDS in the second half of 1986 and are said to be trading profitably.

WILLIAM BAIRD, clothing manufacturer and supplier, has acquired Joshua Wardle, commission textile dyer and printer, for a cash consideration of £1m. Wardle's profit before tax for its last financial year ended December 31 1986 was £200,000. Net assets acquired amounted to £800,000.

Samuel Montagu reaps £1m

BY CLAY HARRIS

Samuel Montagu, the merchant bank, continues to reap the benefits of its equity investment in Western Motor Holdings, the car dealer and vehicle-delivery contractor at which it arranged a management buy-in in March.

Montagu and its Australian subsidiary, Dominquez Barry Samuel Montagu Securities, have raised more than £1.13m through the sale of more than 1.16m Western nil-paid rights. As a result, their aggregate stake has fallen to 10.2 per cent of Western's ordinary shares. This was worth about £2.78m at yesterday's market price of 442p, down 5p. This compares with an initial investment of £1.6m in March.

The Montagu group also invested £3m in convertible loan stock, the value of which has increased to an estimated £5m.

Prestwich buys Strand Video

By Steven Butler

Prestwich Holdings, the consumer electronics and entertainment group, yesterday announced the acquisition of Strand Video Entertainment, the video cassette loader and formatter, for a maximum of £7.5m.

An initial consideration of £1.5m is to be paid to Strand, consisting of 538,586 ordinary shares and £400,000 in cash, with future payments dependent on Strand's profits.

Lonrho's assets

LONRHO'S sale of its UK casinos and Today newspaper brings the group's cash balances to £400m, Mr Tim Rowland, the chief executive, said in a letter to shareholders yesterday.

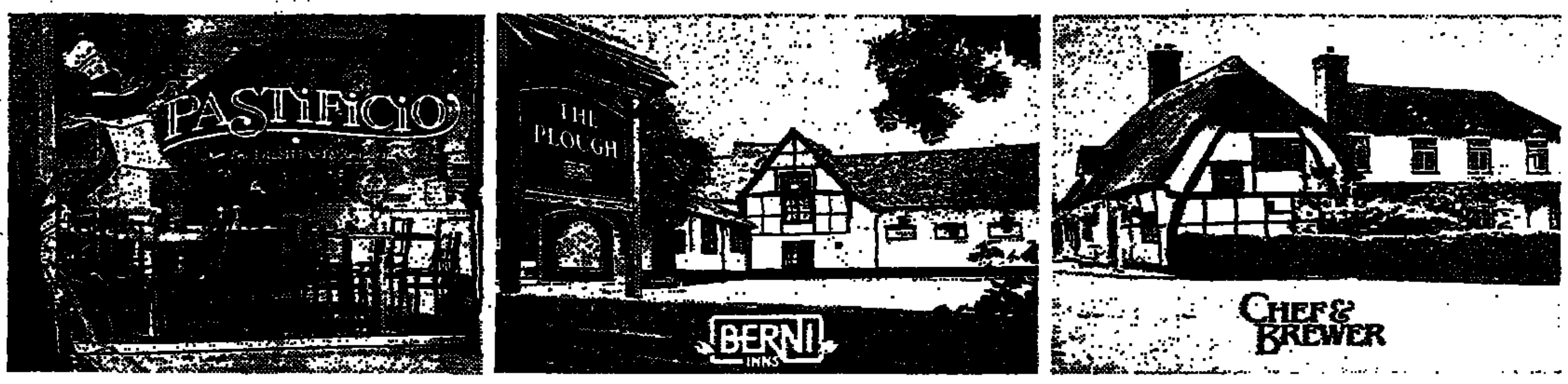
Including Lonrho's recent share offering in Tokyo, the pro-forma balance sheet shows net assets per share of 213p, against 184p at March 31.

DIVIDENDS ANNOUNCED

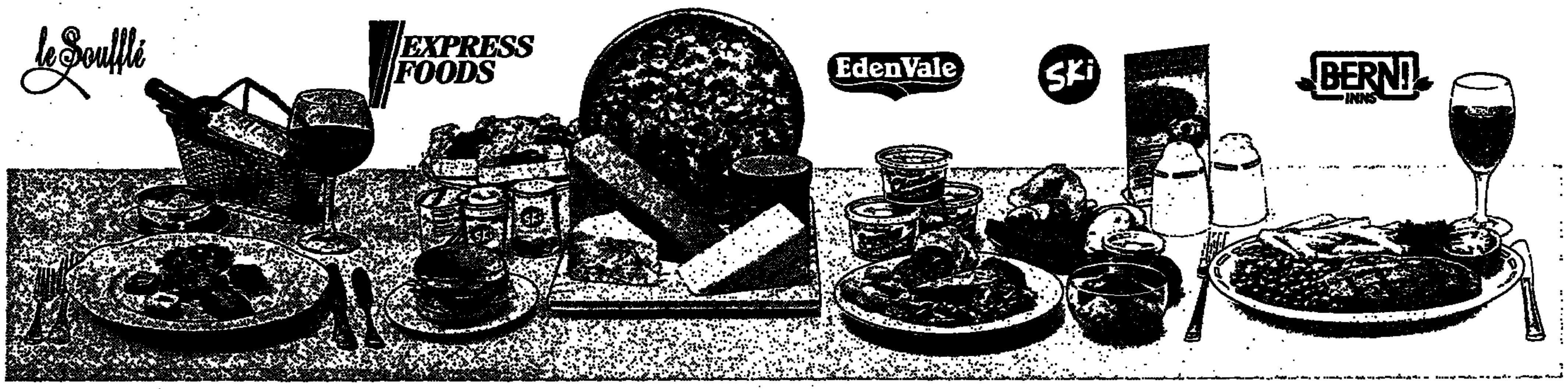
	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Ellis & Everard	4.5	—	3.64*	7	5.91*
Kleen-E-Ze	5	Oct 5	5	6	6
Norbain Elec.‡	0.7	—	0.7	0.7	0.7
Quest Group	1p	—	Nil	1p	Nil
Zygal Dynamics‡	1	—	0.5	1	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

Grand Metropolitan's 25th Birthday Celebrations raise a number of questions

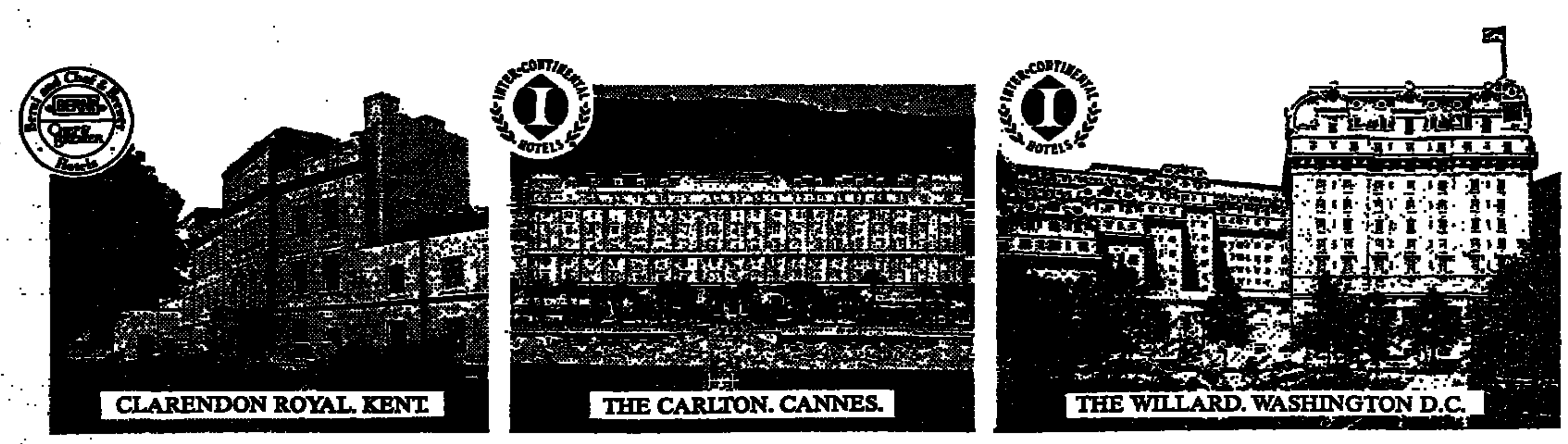


Where to hold the party?



What to eat?

What to drink?



Where to go afterwards?

Few companies have more of the ingredients for a celebration than us. We have the best venues, the finest food, the widest choice of drinks.

And with well over 100,000 of us worldwide, we have enough people to guarantee it goes with a swing.

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UK COMPANY NEWS

Wickins acquires 29.9% of Scanro

By Richard Tomkins

Shares in Scanro, the USM-quoted windsurfing board manufacturer, shot up from 135p to 285p yesterday on the news that Mr David Wickins, the chairman of British Car Auction, had acquired a 29.9 per cent stake in the company with an associate, Mr John Knox, and others.

The shares were acquired from DNA, a Jersey-based investment company which has backed Scanro since 1982. The result is to cut DNA's holding in Scanro from 37.9 per cent to 7.9 per cent.

The price paid for the shares has not been disclosed, but it is believed to have been around the 90p level at which they were trading in the first part of last week. The price took off on Thursday

Mr Wickins was abroad yesterday and could not be contacted. Strauss Turnbull, Scanro's stockbrokers, said they thought his intention was to use the company as a vehicle for further acquisitions

Scanro came to the USM in August 1984 through a placing of shares at 105p by stockbrokers Grieveson Grant. At first it made good progress, but dumping in its key markets by bankrupt European manufacturers helped send pre-tax profits reeling from £550,000 to £276,000 in the year to last December.

Harvard buys 7.4% stake in Rock

Harverd Securities, the over-the-counter market maker, yesterday bought a 7.4 per cent stake in Rock, the motor parts and tools distributor.

Rock also announced that Mr Trevor Chinn, a director, had sold his 1.75m shares (5 per cent) and was resigning from his non-executive post on the board.

The company said that Mr Charles Mitchell, director of corporate finance at Harvard, had been invited to join the board as non-executive director.

Zygal profits of £811,000 after re-stated loss

Zygal Dnamics, the computer products company, showed a sharp improvement last year with pre-tax profits of £811,000 against a previous, re-stated, loss of £2,000.

The directors said that liquidity would continue to improve due to the positive cash flow of the group. Base-Sys, which was acquired last March, had a large part of its income already assured from long term agreements whilst prospects for traditional distribution and data communication businesses were good.

Prospects for the modular technology laser communication system were excellent, the directors continued, sales having more than doubled in the past year. The recently announced distribution agreement with Bull SA was particularly important, they said. Agreement would make available to company additional products to strengthen existing convergent technologies products marketed by the company.

Turnover increased last year from £4.9m to £6.79m and the cost of sales was £1m up at £3.82m. Other operating expenses rose from £1.96m to £2.16m leaving an operating profit of £812,000 (£131,000). There were no exceptional debits this time (£75,000) and net interest payable was down from £77,000 to £40,000. Tax took £183,000 (£20,000 credit) leaving earnings for the USM-quoted company up from 0.2p to 6.8p per 5p ordinary. There were extraordinary credits of £98,000 (£258,000 debit).

The dividend is doubled from 0.5p to 1p per share.

● comment

Zygal has not been one of the USM's spectacular successes; it has substantially under-performed the market since it joined in 1981. Two years ago, it looked a good bet to be swallowed up by a larger group but instead it has taken action to improve itself by shedding the personal computer and maintenance divisions and buying Base-Sys. The latter, which provides on-screen information to insurance brokers is proving an excellent cash cow and with the help of the disposal proceeds, the balance sheet and the quality of earnings have both been transformed. Overall, an encouraging recovery and though the shares dropped 10p yesterday to 135p, the prospect of a further improvement to £1.3m pre-tax this year means that they do not look over-rated, on a prospective p/e of 14.5.

GT's fourth partial unitisation

BY NIKKI TAIT

GT, the fund management company, yesterday put forward partial unitisation proposals for The Northern Securities Trust, a £40m investment trust which it manages.

It will be the fourth GT-managed investment trust to disappear from the stable this year, the others being the much larger US Debeture Corporation, Berry Trust—both of which implemented similar partial unitisation schemes—and GT Global Recovery which was taken over.

GT is now left with two investment trusts—GT Japan and Nordic—both specialist funds and for which the management company says it has no similar plans. The changes mean that the proportion of GT's funds under management in investment trusts has dropped from around 15 to 5 per cent. Also, the investment trusts have historically been sizeable holders of GT shares, and this "in-house" percentage has come from 43 per cent 15 months ago to under 7 per cent. During that time GT itself has launched on the stock-market.

Shareholders in Northern will be offered either units in a choice of unit trusts and/or shares in a new investment trust—in line with the Berry and USDC schemes

Yesterday shares in Northern rose 11p to 354p, net asset value is currently put at around 365p.

Jarvis figures boost defence

BY PHILIP COGGAN

J. Jarvis, the building group currently facing a bid from private company, Brookville Securities, yesterday issued its defence document describing the offer as "confused and totally inadequate."

The company also announced a jump it pre-tax profits for the year ending March 31 1987 from £55,000 to £723,000.

Brookville, which is a vehicle for Mr Harvey Bard, a London property investor, made its £7.50 per share cash offer after it took its stake over 29.99 per cent, thereby triggering the provisions of the Takeover Code requiring it to make a full bid.

Jarvis' share price quickly shot above the offer price and currently stands at 805p.

Mr Bard made an unsuccessful attempt to join the Jarvis board at the group's annual meeting in October. He intends to retain the group's listing, if the bid is successful.

Jarvis' profits turnround follows the intervention of institutional investors in 1985 after the company had sunk into pre-tax losses of Q706,000. Mr David Beety became non-executive chairman and Mr Jack Roullier joined the board to carry out a review of the company's operations.

Mr Roullier recommended that the company should rationalise its property portfolio and concentrate more on construction,

Several properties have been sold,

The pre-tax profits were achieved on turnover up 34 per cent at £35:6m (£26.5m). After tax of £261,000 (£53,000 credit), earnings per share were 45p (10.1p).

Provisions leave net loss for NatWest US

By David Lascelles, Banking Editor

National Westminster Bank USA, the US subsidiary of the NatWest Bank, made a net loss of $203.3m in the second quarter of this year as it registered the impact of the group's recent decision to make a large against Third World loans.

NatWest's USA's provision amounted to $220m, being its share of the total of £466m which the NatWest group announced it was making last month. NatWest, which will be announcing its interim results on July 28, has said it still expects to make a profit for the group as a whole for the first six months of this year.

NatWest USA's second quarter results were also reduced by the reclassification of certain foreign loans, notably to Brazil and Ecuador, where full interest was not being paid. The bank said that excluding the provision, net income for the second quarter would have been $16.7m, down from $17.4m in last year's second half.

NatWest USA said that the growth in core earnings reflected higher domestic loan and retail deposit volumes and a substantial increase in non-interest income, which was up 22 per cent in the second quarter to £32.5m.

The group's total assets rose to $11.2bn from $10.4bn over the year, but equity capital declined to $435.4m from $586.1m

Panel waives Acsis bid

By Nikki Tait

THE TAKEOVER Panel has waived the requirement that Windstorm Investments, the British Virgin Island-incorporated company, makes a full bid for Acsis Jewellery, the small UK retailer where it acquired a 46.4 per cent stake last month.

Windstorm, which is controlled by the family trusts of South African businessman Mr Darryl Phillips, bought its stake at 20p a share but has subsequently seen the price soar to 453p. In the light of this, the Panel has dropped the full offer obligation, but says its decision will be reviewed should the Acsis price fall substantially in the next three months.

Goode Durrant trebles interim profit to £2.6m

Goode Durrant, the trade finance, banking and property group, increased pre-tax profits more than three times from £780,000 to £2.57m for the six months ended April 30.

The directors said that attributable earnings from all operating divisions were higher than the same period last year. The interim figures do not include the profit from the sale of 1.79m shares in Perry Group in May.

Turnover rose from £38.37m to £49.52m and attributable profit jumped from £168,000 to £1.86m after extraordinary items bringing a credit of £35,000 (debit £107,000) and minorities of £275,000 (£282,000).

Earnings per share were 5.6p (1.1p). The actual number of shares in issue on April 30 was 38.52m (24.09m). (Earnings per share is based on the weighted average number in issue through the six months to April 30 which was 32.51m.)

There will be no interim dividend.

● comment

Goode Durrant is not the first company to find itself with an Antipodean or South African entrepreneur on board, but it must be one of the first to have both. The South African, Michael Waring, stepped in two years ago, and these results are largely the product of his rationalisation of the group's four main divisions. The New Zealander, Bruce Judge, arrived in July 1986 in the shape of his investment vehicle Ariadne Australia, which one way or another holds 50.8 per cent of Goode Durrant's shares; Mr Judge's contribution has been an injection of £21m into the balance sheet in exchange for some of that stock. With total liquid resources of around £35m, the strategy now is to add on piecemeal to the existing activities while searching for a major acquisition in a new area, probably distribution. The interest on the cash and a £2m profit on the sale of the Perry stake should put £7m within reach this year, but beyond that the acquisition policy will have to be put to work if the prospective p/e multiple of 19 is to be justified.

TRACTEBEL and Groupe Bruxelles Lambert announced they acquired at 315p per share, 10,995,375 Contibel ordinary (7.7 per cent). When added with their original holding Tractebel and GBL now own 74,559,135 (52.4 per cent).

By 3 pm on July 9 1987, Tractebel and GBL had received acceptances from holdings of 11,009,163 ordinary (7.7 per cent). Accordingly Tractebel and GBL now owned or had received acceptances in respect of 85,568,298 Contibel ordinary (60.2 per cent). The offer remains open for further acceptances until July 27.

UK COMPANY NEWS

KCA Drilling profit halved to £2m

KCA Drilling Group's pre-tax profits dropped sharply from £4.4m to £2m for the year ended December 31 1986. Turnover was also down, from £38.79m to £30.21m.

Sir Monty Finniston, chairman, said that although the consequences of write-downs in 1985 and 1986 might appear severe, the company believed that with the disposal of the drillship KCA Kingfisher (which the company would continue to manage) and the placing of the jack-up KCA Sandpiper on a contract of reasonable duration, the group was well placed to ride out the remainder of current troubles affecting the oil industry.

Admitting that 1986 had been "one of the most testing years in the group's history," Sir Monty said: "We now feel, in our 30th year of operation we can look forward to the future with a sense of restrained optimism." The company's platform drilling operations have continued "satisfactorily" for Mobil, BP and North Sea Sun Oil.

In addition, the company has recently been awarded a contract in the UK sector of the North Sea on behalf of a Shell/Esso joint venture to provide personnel for its Cormorant "A" and Elder platforms.

"With this contract," said Sir Monty, "KCA will become amongst the largest platforms drilling contractors in the UK sector of the North Sea."

The board is seeking to increase the company's borrowing powers to permit the company to borrow up to a maximum of either five times the company's share capital and reserves, or £38m, whichever is greater. An extraordinary general meeting is to be held as soon as possible for shareholders to vote on the issue.

Gross profit was £10.27m (£10.59m), administration expenses £2.27m (£2.79m), interest payable and similar charges £2.63m (£3.95m), share of partnership loss £2.45m (£672,00) and exceptional debt £813,000 (£702,000 credit). Tax was down from £1.89m to £522m.

After extraordinary charges of £7.3m (£28.25m) the net loss for the year was £5.8m. Earnings per share were 1.9p (3.2p).

Again, no final dividend was proposed for the year.

● comment

To the uninitiated, KCA's results might appear a catalogue of woes—profits down by half, and proposed asset sales leading to write offs so heavy that the company will have to change its Articles of Association to permit such giddy levels of gearing. But the market took the opposite view yesterday, and shares at one point jumped nearly 100 per cent before closing 14p higher at 37p. Initiated shareholders were so pleased at the prospect of getting shot of the unemployed drillship and its £10m plus of borrowings—which have been crippling the company for the last few years—that a further write down of £5.8m was a price they were happy to pay. Meanwhile, prospects for the rest of the business are also looking up since year end, as the rising oil price has injected some life into the offshore market. The two year BP contract for the Sandpiper will at worst stem the losses made last year when it was without work, while the Shell contract is also more than welcome. However, there remains a cronic oversupply of rigs and with no sign of a big bounce in day rates, yesterday's burst of market enthusiasm may be difficult to extend.

Price tag of £14.8m for Graham Motor

By Philip Coggan

Graham Motor, the car retailing, fleet sales and contract hire group, has announced details of its flotation on the Unlisted Securities Market. Barclays de Zoete Wedd and Charlton Seal are placing 3.5m shares, 33 per cent of the company, at 140p each, valuing the company at £14.8m.

Just over half the shares being issued are new and will be used to increase working capital and to modernise the facilities at a dealership in Stretford.

Based on the pre-tax profits of £1.73m on turnover of £52.9m in the year to March 31, the shares are on a p/e of 11.5 at the placing price.

Listing for USF and G

Dealings have started on the Stock Exchange in the shares of USF and G Corporation, the holding company for one of the top 15 US property/casualty insurers.

Baltimore-based USF and G is now one of six US insurance brokers or companies, including Travelers Corporation and Home Group, which have obtained a London listing in the last few years.

Mr Jack Moseley, USF and G chairman, said it was not planning acquisitions in the UK, but had sought a listing to help create a broader and more liquid market in its shares.

USF and G reorganised itself around a non-insurance holding company in 1981, a move which gave it access to international capital markets. It believes that the London listing will now help it to arrange financing via the Euromarkets.

Kleen-E-Ze reorganisation pays off as profits rise to £0.9m

PRE-TAX PROFITS at Kleen-E-Ze Holdings, the Bristol-based manufacturer of energy saving devices, brushes and cleaning products, increased from £623,549 to £920,478 in the year to March 31 1987. The dividend is unchanged at 6p net.

The directors said they were looking forward with confidence as the momentum created by the reorganisation two years ago, gathered pace. They said the advance in profits was achieved by improved efficiency and better use of the group's assets, and that had continued into the current year.

Another successful year was had by the industrial division, and it was now firmly established as a leader in the manufacture of strip-brush. During the year, the range of products was extended to include cleaning chemicals manufactured by Dalton Young.

Progress was made in the plastics division through the introduction of the Sundt trigger pump dispenser. The division has doubled its manufacturing capacity by the installation of a second robotic assembly machine.

This was a significant item of capital expenditure for the group, but the division is now poised for a major advance in this sector of the packaging industry.

Group turnover for the year rose from £16.08m to £17.42m. Gross profit amounted to £8.3m against £7.62m but distribution costs rose from £4.85m to £5.17m. Administration expenses came to £2.09m (£1.84m). There was other income of £184,066 (£95,871) and interest payable was £309,588 compared with £400,796.

Stated earnings per 25p share improved from 14.66p to 23.77p.

Jurys Hotel profits and turnover suffer downturn

Jurys Hotel Group, the Dublin-based hotel company, saw pre-tax profits fall slightly from I£1.86m (£1.69m) to I£1.61m on turnover down from £16m to £15.73m in the year to April 30 1987.

The directors proposed a final dividend of 2.25p, making 3.75p for the year. Last year a total dividend of 3.5p was paid as an interim. Earnings per share were down from 10.6p to 5.6p.

Trading profit fell from £2.25m to £1.47m. Net interest charged was £141,000 against £391,000 receivable. Tax took £425,000 (£151,000).

N. England joint venture

New England Properties is to form a joint venture with Hunting Group to own a long leasehold interest in St James's Street, London SW, a development already being project managed by NEP. Its interest will comprise £1m of preferential capital and a one-third equity share.

The joint venture is subject to agreement on the assignment of the leasehold interest in the development from the present partnership of Friesch-Groningsche Hypotheekbank and Hunting.

The intention is to sell or syndicate ownership of the property once letting is completed.

SHARNA WARE is to acquire Telisport, pram manufacturer, for an aggregate consideration of £650,000. The consideration, payable on completion, will be satisfied by the issue of 69,149 new Sharna ordinary shares and a maximum cash payment of £520,000.

Peek Holdings pays £3.8m for Husky

Peek Holdings, the shell company acquired last August by South African industrialist Mr Kenneth Maud, has bought Husky Computers from Addison Consultancy, the advertising and marketing group, for £3.8m.

The acquisition marks a second stage in the development of Peek into a mini conglomerate specialising in medium-to-high technology industries. Peek's first acquisition, of Sarasota Technology for £27m, was completed in March.

Husky makes hand-held micro-computers for military, industrial and commercial use and turned in pre-tax profits of £190,000 on turnover of £4.6m in the year to last December.

It was acquired by Addison along with its parent, Aidcom International, last October.

Peek will pay for the purchase through a vendor placing of 2.63m new ordinary shares at 145p. Its existing shares closed 3½p up at 155½p.

Robert Horne to purchase Atkins & Cripps

Robert Horne Group has entered into an agreement to acquire the whole of the issued share capital of S. J. Atkins & Cripps for £3.94m. Atkins & Cripps are importers and merchants of hardwood.

Net tangible assets were £2.87m at June 30, 1986, and pre-tax profits for the year were £413,547. The directors of Robert Horne see the acquisition as a diversification into a business sufficiently related to its existing activities to draw on its management expertise in merchanting and distribution.

The purchase consideration is to be satisfied by the allotment of 950,000 new non-voting "A" ordinary in Robert Horne, fully paid.

The shares were placed on Friday at 424p. They will not rank for the interim dividend in respect of the year to September 31, 1987.

SHARE STAKES

THE FOLLOWING changes in share stakes were announced during the past week.

Next — Director Mr J. T. Rowlay exercised an option on 30,000 shares and disposed of them at 354p. H. J. Hann, also a director, disposed of 23,000 shares at 353p.

James Neill Holdings — On June 29 following directors, together with J. H. Withinshaw, managing director of Stubs Welding, a wholly-owned subsidiary, exercised their right to acquire ordinary at 57p under a share option scheme: P. B. Bullock 125,000; G. H. N. Peel 62,500; E. Bolam 20,000; T. Harris 20,000; C. T. Harrison 15,000, and J. W. H. Withinshaw 15,000. On July 8 the following sold shares at 248p: P. B. Bullock 115,000; G. H. N. Peel 62,500; E. Bolam 20,000; T. Harris 8,500 and J. H. Withinshaw 15,000.

Bett Bros—Chairman Iain C. Bett purchased 40,740 ordinary at 124p on July 10.

C. L Group—On July 8, chairman P. H. R. Kettle purchased 50,000 ordinary, and now holds 124,422 shares.

PWS Holdings—Mr M. E. M. Person, non-executive chairman, has sold 750,000 ordinary from his beneficial interest and 200,000 ordinary from his non-beneficial interest at 362p on July 9. These shares have been placed with institutions.

He now has a beneficial interest of 1m ordinary.

Valor—Director M. J. Montague's shareholding has increased from 48,068 to 185,590.

Newarthill — Sir Robin McAlpine, a director, sold 100,000 ordinary.

Rotaprint—On July 7 M. B. Manzi sold 1m ordinary at 10½p. On July 8 A. J. Crates sold 1m ordinary at 10.4375p. On July 8 C. K. Howe sold 1m ordinary at 10.4375p. On June 29 D. A. Corrigan sold 927,957 ordinary at 9p.

General Electric Company—Lord Weinstock, a director, ceased to be interested in 100,000 ordinary upon their transfer from him. M. Lester, another director, became interested in 100,000.

CALEDONIA INVESTMENT—The Lord Cayzer, a director, disposed of 300,000 ordinary stock units by way of gift.

TYZACK TURNER GROUP—Miss M. W. Tyzack disposed of 20,000 ordinary at 350p and now holds 317,890 shares (5.33 per cent).

ASSOCIATED BRITISH ENGINEERING—Director M. J. Barry disposed of 200,000 ordinary on July 6 at 13p and now holds 34,478 ordinary and 13,965 8 per cent convertible preference shares.

Great Portland Estates.— On June 29 director Daniel Desmond sold 250,000 shares at £3.08.

APPOINTMENTS

Scandinavian Bank changes

Mr Douglas M. Johnson, a managing director of SCANDINAVIAN BANK GROUP, will be retiring on September 1. Mr Michael J. Jeffery will join the group on September 1 to take over Mr Johnson's management responsibilities. He is deputy managing director of Skandinaviska Enskilda Banken in the US and in that position is responsible for treasury and capital market activities in North America. Mr Jeffery, who is British, was previously head of global treasury management at the Marine Midland Bank in New York.

★

PREVIEW DATA SYSTEMS has appointed Mr Peter Horgan financial director. He joins from Darchem Specialised Mouldings, where he was the commercial director.

★

Mr Christopher Barton, formerly national sales manager for Redland Bricks, has been appointed sales and marketing director of GUILDWAY, part of the Declan Kelly Group.

★

PSIMAT has appointed Mr John Brown its chairman. He was chief executive of the Bredero Price Group.

★

THE CHILLINGTON CORPORATION has made the following appointments: Mr F. A. Yates and Mr Alan Chalmers, chairman and managing director respectively of The Chillington Tool Company; Mr Dennis Imray, managing director of The Chillington Tool (Thailand) Co. Mr Rollo Barnes and Mr Alan Chalmers, directors of BOET; Mr Collin Ward, production director of The Chillington Tool Company (Uganda).

★

AIM GROUP has appointed Mr Brian Knightley as a non-executive director. He is assistant managing director of Babcock International.

★

At SAINSBURY'S Mr Peter Ibbotson is appointed departmental director—construction to succeed Mr Roy Linfield on his retirement at the end of this year. On taking up this appointment Mr Ibbotson will retain his responsibility as chief engineer.

★

HAREFIELD RUBBER has made the following management appointments: Mr Barry Giddings, group chief executive; Mr John Irwin, managing director floor division; Mr Eric Marper, managing director door division, and Mr Roy Canning, sales director, door division.

★

MATTHEW HALL has appointed Sir George Jefferson to the board as a non-executive director. Sir George is chairman of British Telecommunications and a director of Babcock International and Lloyds Bank.

★

ST. BERNARD PLASTICS has appointed Mr Brian Trubshaw as an aerospace consultant to assist the company's expansion in the manufacture of composite structures within the aerospace industry.

★

Mr Leopoldo Sansone has been elected president and Mr Ron Ludwick vice president of the BRITISH CABLE MAKERS CONFEDERATION, representing UK manufacturers of wires and cables for the transmission and distribution of electric, power and communications.

★

Mr Norman Hunter Smart has been appointed as chairman of CHARTERHOUSE DEVELOPMENT CAPITAL FUND following the resignation of Mr Kenneth Morgan. Mr Smart is a former senior partner of Hays Allan, and a former president of the Institute of Chartered Accountants of Scotland.

★

FLOYD OIL PARTICIPATIONS has appointed Mr Garry Frier its finance director. He has worked for County NatWest since 1978 in a specialist financing capacity and upon taking up his appointment with Floyd will resign from the board of County NatWest.

★

Expanson of the MELVILLE CONSTRUCTION division has resulted in the following appointments: Mr Bill Gosling and Mr David Hardy have been appointed to the board of Melville Construction Holdings. Mr Eric Day has been appointed managing director of Melville Construction. Mr Roy Newland has become managing director of Melville Projects and Mr Simon Gardiner and Mr Bob Barker have been appointed to the board of H. Firmin & Son.

★

INTERNATIONAL THOMSON PUBLISHING'S business magazine's division has appointed a new director. Mr Andrew Gill becomes commercial director following the appointment of Mr Richard Jell as publishing director—building and construction group. Mr Gill joined International Thomson Publishing last year after holding several senior publisher posts within Reed Publishing.

★

Mr Nicholas Condon has been appointed deputy chairman and director of mergers and acquisitions for HARLESTONE GROUP. He was formerly associate director corporate finance with Allied Irish Investment Bank in London.

UK COMPANY NEWS

Clay Harris looks at Next's surprise £28.5m purchase of Dillons

News for mail order customers

BRITAIN'S NEWSBOYS, of all ages and sexes, can relax. Mr George Davies does not plan to add mail-order catalogues *and parcels to the burdens of* their daily rounds.

They may, however, find the storeroom at the newagent filled with more than back issues *awaiting return to the wholesaler.*

Next, the fashion and furniture retailer, caught watchers or the stores sector off guard *yesterday with its unexpected* purchase, for £28.5m, of the Dillons Group, a 270-shop chain of news agents in the West Midlands and Home Counties.

Imaginations were stretched to envisage how the Next formula of design-led retailing (flattered by imaginative competitors in every high street) could be applied to the mundane quarter-of-pear-drops, packet-of-20 and evening rag world of confectionary, tobacco and news.

The reaction of Mr Richard Hyman, a director of Verdict Research, was typical: "The only thing that this has got in common with Next is that they both happen to use shops. Everything else about it has nothing to do with Next."

In terms of shop retailing, Next would find no reason to *challenge this verdict. The* Dillons acquisition underlines, however, the emphasis that Next is placing on its Grattan mail order business and soon-to-be-launched catalogue under *its own name.*

Next's innovation, in this case, has little to do with design or range of products or retail ambience — and everything to do with the often neglected customer service of delivery. It will use the shops to improve local collection and distribution.

Mr David Jones, Grattan chief executive as well as deputy chairman of Next, said yesterday that market research in preparation for the Next catalogue launch had uncovered a deep lode of suggestions about how mail-order service could be improved.

Again, and again, researchers heard customers complain of the inconvenience of deliveries arriving when they were not at home. Why could parcels not be brought in the evening?

Many turned out to be quite willing to pick up the parcel themselves from a convenient neighbourhood location, if the trip could be combined with some other errand.

The research fits in with Grattan's previous experience. As Britain's fourth largest *mail-order group, with about 10* per cent of a £3.3bn market, it had already established a delivery system unlike those used by its rivals.

LEADING NEWSAGENTS (% CTN sales*)	
W. H. Smith	6.7
Martin McColl (*Guinness*)	5.1
NSS/Forbuoys (*Gallaher*)	3.6
John Menzies	2.4
Finlays	1.2
Alfred Preedy	1.0
Dillons Group (Next)	0.9

* Confectionery/tobacco/news
Source: Verdict Research

Since 1983, Grattan has used "super agents," who break up bulk deliveries and distribute them around to perhaps half-a-dozen local agents. This system still depended, however, on a number of busy people synchronising their movements.

Why not, asked Grattan, established a neighbourhood centre — open seven days, often for long hours, but underused apart from peak periods — a place where people are more than not to pop in sometime during the day? Agents, themselves, could use the premises as a base for their own deliveries.

Next's intention to buy a chain of newsagents had been sidelined by the unexpected opportunity to buy Combined English Stores, the shops chain for which its £325m bid successfully gazumped an offer from Ratners, the jewellery group.

The proceeds from the expected disposal of certain parts of CES (Allens chemist shops, and at least part of the group's wholesale activities) is certain to exceed the acquisition cost of Dillons.

Nevertheless, the £28.5m purchase price is far above the £16.9m which Mr Arundbhai Patel paid Hanson Trust in March for the larger Finlays *chain. Mr Jones said, however,* that Dillons is being bought on an historic p/e multiple of 14—based on results already a year old.

Next has no illusions about injecting any glamour into Dillons shops, although it foresees *limited* opportunities for stocking Grattan products and taking advantage of the combined group's enhanced purchasing power.

Despite the excursion into uncharted waters, Next is confident that it cannot lose, so long as the newsagents' management maintain the stolid, but solid earnings performance.

If the distribution experiment does not work out, Next expects always to be able to find a buyer.

If it does succeed, however, Next will waste little time in expanding the operation from the initial regional base.

£85m bid for Molins from TKM is rejected

By Terry Povey

Molins yesterday robustly rejected the £83m bid from Tozer Kemsley & Millbourne, claiming that the offer was "an opportunistic atempt . . . dictated by short-term investment objectives."

In a formal reply to the TKM offer, the precision engineering company forecast that pre-tax profits for the year to February 1988 would not be less than £10m—£1.1m of which would come from first time receipts under patent licensing arrangements. For 1986-87 Molins reported £9m (up from £8.1m in 1985-86), of which £850,000 arose from a lower pension fund contribution—a benefit which continues into this year.

Mr Christopher Ross, Molins' managing director, accepted that the company had shown limited organic growth in the past two years but said that this was a feature of the capital goods industry.

"It would be very easy to boost our profits for a year or two by cutting its £8m a year of research and development spending but after five years there would be no more Molins," he declaimed. As a result the company's main appeal to shareholders had been as an income stock although its shares had kept pace with the industrial index he noted.

Behind the TKM bid is the New Zealand-based Brierley group which has a 24 per cent stake in Molins. Mr Ross said that the Brierley holding had been built up "against the board's wishes and that a Mexican stand-off now existed."

The timing of this bid had led to the shelving of acquisition *plans involving two overseas* companies said Mr Ross. Molins was intent on building up the industrial applications of its high speed production technology outside its traditional cigarette applications.

Last night Molins closed up 4p at 289p ahead of the cash alternative from TKM of 251½p and the shares-plus-cash offer worth 250p a share on the bidder's closing 139p, up 3p.

Quest swings back to profit

Quest Group, computer products supplier, made pre-tax profits of £2.9m in the year to February 28 compared with a loss of £1.1m the previous year.

Turnover also increased from £11.44m to £28.89m, an increase of 2½ times. This was achieved by an increase in exports. The group has also reduced its borrowings and overheads.

As a result the directors have recommended that dividend payments be resumed with a final dividend of 1p. It is also proposed to capitalise reserves by a scrip issue of one new ordinary share for every ten ordinary shares in issue.

Extraordinary debits of £200,000 (£38,000) relate to costs in relation of liquidation of Quest's former associated company Quest CAE and costs relating to the capital reorganisation.

The group made an operating profit of £4.32m (£225,000). Tax took £800,000 (nil). Technical and development expenditure came to £636,000 (£603,000) and interest charges were £752,000 (£710,000). Earnings per share were 14.92p compared with a loss of 7.44p the previous year.

£60m choice for W H Smith

W. H. Smith, the retailing and newspaper wholesaling group, has until August 19 to decide the fate of its 50 per cent interest in Book Club Associates, for which Bertelsmann, the West German publisher, has made an offer believed to be over £60m.

Mr ePter Bagnell, a W. H. Smith director, yesterday described Bertelsmann's offer as "very attractive."

Bertelsmann acquired half of *Book Club as a result of its* takeover of Doubleday, the US publisher, last year. Book Club was established 21 years ago as a joint venture between *W. H. Smith and Doubleday,* and trading figures are not disclosed.

W. H. Smith had earlier tendered an offer for *Bertelsmann's* stake *in Book* Club, as specified by clauses in the original joint venture agree*ment* should one party to the joint venture sell its interest. According to the agreement W. H. Smith now has the option of either selling its interest to *Bertelsmann at the offer price,* or acquiring Bertelsmann's stake in Book Club at the same price.

Mr Bagnell said that W. H. Smith had not yet made a final decision whether to accept the offer. W. H. Smith has entered preliminary discussions with third parties who may be interested in acquiring the entire Book Club business from W. H. Smith should W. H. Smith exercise its option to acquire the Bertelsmann stake.

The possibility that W. H. Smith would operate Book Club as a wholly owned subsidiary has not been excluded.

Mr Bagnell described Book Club as an integral part of the trade of W. H. Smith, but "somewhat apart from our normal retailing."

WPP set for JWT victory

BY NIKKI TAIT

WPP, the UK marketing services group transformed from a shopping trolley manufacturer *two years ago,* yesterday looked on course for victory in its audacious $566m bid for JWT Group, the esteemed New York advertising agency and PR group.

In New York, shares in JWT were trading at $55¼ by lunchtime, a shade below the $55.50 cash offer. The cash tender was due to close at midnight New York time.

In London, WPP's advisers, Samuel Montagu, said they expected most of the acceptances to come in during the afternoon. However, during the period of the revised offer—now agreed with the JWT board—there has been no sign of any rival bidder and only occasional flurries in the share price.

Burgess up sharply on £5m forecast

By Steven Butler

Shares of Burgess, the precision electronics company, rose *30p yesterday to close* at 372p, following a forecast that pre-tax profits would exceed £5m in the year to the end of August 1987, compared with profits of £3.1m last year. A dividend of 3.125p was also proposed, an increase of 25 per cent.

The forecast was issued in connection with a recommended Burgess' bid for American Electronic Components, for which Burgess has irrevocable undertakings to accept the offer amounting to 57 per cent of AEC's share capital.

Shares of AEC rose in tangent, picking up 3½p to close at 46½p. Burgess is offering one of its own shares for each eight AEC shares, valuing AEC at £52.63m based on yesterday's closing prices.

Norbain back into black with £11,000 profit

Norbain Electronics, the USM quoted distributor of electronic components, got back into the black with a small pre-tax profit of £11,000 for the year to April 30 1987 compared with a previous loss of £232,000.

Mr *John Nicol,* chairman, said that measures taken during the past year to restore profitability of the group were already beginning to show positive results.

Turnover last year rose from £19.44m to £22.14m and the gross profit from £4.39m to £4.81m. Distribution and marketing expenses were a little lower at £2.67m (£2.89m) while administrative expenses were up from £1.4m to £1.55m. The operating profit emerged at £590,000 (£93,000), interest payable increased from £345,000 to £438,000 and there was an exceptional debit of £141,000 (nil).

Tax took £120,000 (£131,000) leaving a loss of £109,000 (£121,000 loss) and a loss per share of 1.6p (1.8p).

Expert advice falls upon deaf ears

Sophisticated users have begun to demand more than just 'white collar robots' with the ability to mimic human judgments

THE problem with "expert systems" is that experts won't buy them. How many doctors can be persuaded that a computer program can make diagnoses? Which banker is willing to hand over loan decisions to a machine? Even computer systems managers, apparently, don't have enough faith to entrust the maintenance of their expensive machines to an "expert" program.

US software companies are beginning to recognise that all of the talk of "white-collar robots" and machines that can mimic human expertise and judgment has created a barrier to commercial applications of expert systems, rather than attracted potential buyers. Now

instead of boasting about their new technology, they are trying to become part of the "mainstream" computer program business.

"For years, expert systems customers were new enough to the technology that they were at the relative mercy of the vendors. But users are becoming more sophisticated and mature and have started making demands," says Harvey P. Newquist III, of DM Data Inc, a US market research firm.

High on the list of customer demands is the notion that if expert systems are to be useful, they must fit into the existing business computer environment.

A major drawback of expert systems to date has been that they tended not to "get along" with conventional computer programs. Just as the value of a human expert can be seriously diminished if he or she does not work well with others, so these computerised experts have been loners, the potential of which is difficult to tap.

Taking a practical approach to the application of expert systems, Harry Reinstein, president of Aion Corporation, a silicon valley software firm, maintains that the programs should be used to provide more economic solutions to traditional computer applications rather than to create the "brave new world" of computerised bankers, doctors and lawyers.

The real advantages of expert systems are that they can be developed far more efficiently than conventional computer programs, Reinstein maintains.

"Programming can be completed in a matter of weeks, rather than months, if the application is well understood," he claims. "And applications can be built incrementally as the specifications evolve."

Many applications of Aion software are not "pure" expert systems, Reinstein freely admits. One example is a program developed by US computer services group Boole & Babbage, using Aion's development tools, to interpret the voluminous computer performance data produced by conventional systems analysis programs. The "expertise" in the B & B program is just a small part of a much bigger application.

As a major US supplier of software to IBM computer users, Boole & Babbage has no intention of calling its new product an "expert system," even though it incorporates elements of the new software technology.

"The term expert system has a lot of pizazz. However, it can set up unrealistic, and even threatening, expectations," says Peter Wong, B&B's director of expert applications.

The emerging artificial intelligence industry, it seems, is beginning to learn the same lesson that consumers taught personal computer makers a few years ago when they began to ask "what is your product going to do for me?"

Engineered answer to quest for better chips

Another emerging technology that may have to overcome "hype" to prove its real value is superconductivity. As IBM vice president of science, Praveen Chaudhari, told US Congressmen recently, "The leap from research to practical applications can be a great one. We did not invent rockets one day and walk on the moon the next."

It will be years, if not a decade, before superconducting materials (which present virtually no resistance to electrical current) have any real commercial value. In the meantime, more mundane but better understood semiconductor materials will remain the stuff that most computers and electronics equipment are made of.

The limits of semiconductor performance remain well beyond reach using current chip production technology. The quest for ever denser, faster microcircuits is however becoming more expensive and complex.

A novel solution, proposed by Kopin Corporation of Taunton, Massachusetts is to "engineer" the basic materials used to make semiconductor chips. Kopin's materials researchers, who emanate from the Massachusetts Institute of Technology's Lincoln laboratory, have developed composite semiconductor wafers that combine the robust properties of silicon with faster but more fragile semiconductor materials such as gallium arsenide. Their multi-layer wafers could be used to prdouce a new generation of ultra-fast chips without having to invest in sophisticated and expensive new production equipment.

According to Kopin, US chipmakers are warming to the idea of "wafer engineering." Founder and chairman, John Fan, says that within a year major semiconductor makers will begin using composite wafers. "The change will be instant, because the need is acute."

Changing climate for grape growers

White wine drinkers have a new treat in store. Several California wineries, most notably Chateau de Baun of Santa Rosa, have recently introduced a wine called "Symphony," made using a new variety of grapes created at the University of California, by Professor Harold Olomo.

Prof Olomo spent 20 years perfecting his invention — a cross between muscat and grenache grapes. According to experts the result is a highly versatile fruit that produces "very fruity wine with a distinct aroma." Grape growers are also impressed. Symphony vines will grow in almost any climate and yield up to twice as many grapes as other varieties.

California's premium winemakers of the Nappa Valley are not however planning to experiment with Symphony. It is a hardy variety that can be grown in regions that do not have the climate and soil needed for traditional varieties. The growers of the Nappa Valley have no such problems.

But Symphony might do very well in less ideal conditions — maybe for winegrowers in Kent, the Garden of England.

The map that has moved America

Some things never change, at least, we don't expect them to. It came as a bit of a shock, therefore, for Americans to learn last month that the distance from California to New York has grown by 60 feet and that the Golden Gate Bridge has shifted 314 feet south west of where everyone thought it was.

The Washington Monument has also been on the move — 94.5 feet north west—while the Empire State Building is now 120.5 feet further north than it used to be, and in Honolulu the flagstaff on top of the Judicial Building has jumped by no less than 1,480.8 feet to the south east.

The explanation for these extraordinary events turns out to be quite simple. Modern surveying technology is more accurate than that of the early 1900s, when the relative distances of some 250,000 landmarks were first used to map the United States.

EAGLE EYE

by Louise Kehoe

In the first major revision of the US map since 1927, the National Geodetic Survey has used satellites and computers to pinpoint the exact positions of survey markers to an accuracy of 99.999 per cent.

Considering that the original surveyors travelled on foot and pack mules using only tape measures and sighting scopes to do the job, and made all of their calculations unaided by machines, their results were amazingly accurate. A difference of 60 ft in almost 3,000 miles represents an error of only 0.00037 per cent — according to my pocket calculator.

Texans put new life into old bones

Materials scientists at the University of Texas have high hopes for their latest development—a substance that appears to be ideal for making synthetic bones.

The material could find widespread use in orthodontics, the reconstruction of shattered bones and in the replacement of bone removed during cancer surgery.

The researchers have synthesised a very pure and strong form of hydroxyapatite, a mineral that makes up about 65 per cent of living bone. In nature, this material provides strength and rigidity and acts as a porous matrix that supports bone marrow, bone growth cells and blood vessels.

Animal tests of the synthetic material suggest that it can mimic the support functions of natural bone as well as being much stronger than current bone replacements. According to the researchers, implants of the synthetic material are slowly broken down by the body and replaced by living bone.

Battelle's mind turns to profits

BY DAVID FISHLOCK, SCIENCE EDITOR

PROFIT HAS been a forbidden word throughout the 60-year history of the Battelle Memorial Institute, the world's biggest contract research organisation. But no longer, says Professor Thomas Kabierschke, general manager of Battelle Europe.

Instead of jealously preserving its "charity" status the target today is a profit of 17 per cent on capital to reinvest in fast-moving research where instrumentation can be out-of-date in as few as two or three years. In a more highly competitive world, the charity status has proved more of a handicap than an asset.

Battelle's top management team in Columbus, Ohio, headed by Ronald S. Paul, president and chief executive officer, has sharpened its view of the organisation's role in trying to solve other people's high-technology problems in an age of such rapid change. This could mean opening new laboratories in Britain and elsewhere in Europe, believes Professor Kabierschke, who has just been elected a corporate vice president of the company.

In the mid-1920s the company, through the vision of its founder, Gordon Batelle, pioneered problem-solving under contract. It has grown to a research team of 8,000 with an income last year of $579m (about £350m). In 1986 it patented 81 of its own inventions. But it admits that it has not been particularly good at exploiting its patents in the past.

In Europe, Battelle has two research centres, established in the 1950s in Frankfurt and Geneva. But Europe has never developed the faith in contract research displayed by the US. The European laboratories hustled for contracts worldwide, increasingly in competition with other Battelle research centres in North America. Last year they brought in business totalling about $65m (£39m).

The Geneva laboratory in particular has languished and now employs only 330 of a total of 950 in Europe; although some of its activities have been hived off into a new software company set up by Battelle. Overall, about 55 per cent of the income of Battelle's European centres comes from industry (in the case of Geneva this includes Japanese industry) and 45 per cent from government (mostly from West Germany).

A new European management team headed by Professor Kabierschke and Klaus Staehle, manager of the Frankfurt laboratory, has integrated the European activities into a single operation, Battelle Europe, managed from Frankfurt. Professor Kabierschke says he has stopped the previous competition between Battelle laboratories. This pleases his scientists, who have more time for research.

"Everybody's crying for high technology," says Professor Kabierschke. Italy has invited him to manage a national research centre, as Battelle does in the US. Its contract to manage the Pacific North West laboratories of the US Department of Energy is worth $160m a year. But the practice is novel for Europe.

Italy's Government is eager for the company to expand its marketing base in Milan

The Frankfurt centre alone once had research in 27 different areas of technology. Battelle Europe has now redefined just five business sectors in which it wants to be active: technology management and assessment; biological and environmental sciences; electronic systems; advanced materials; and engineering.

"This is a different business," says Staehle. "When Battelle first came to Europe 30 years ago, industry needed long-term basic development," he says. Today, the demand is for short-term development and ready-made products. But another big challenge is to attract business from the large number of small companies in Europe which neither invest in research nor seem to want to co-operate.

Meanwhile, Battelle Europe, armed with its own portfolio of patents, is seeking joint ventures. Where previously it was interested only in licencing patents, today it is seeking a share of profits. Prof. Kabierschke says the organisation is transforming itself "from an ivory tower into a hard-nosed systems house." Battelle Europe already has about ten partnerships under negotiation.

As management sees it, West Germany is the premier European market for Battelle Europe today—"no doubt about it," confirms Staehle. Then comes Switzerland, Italy, France and Britain, in that order.

More than once in the past, Battelle has considered Britain seriously as a location for a research centre, but turned it down on grounds that the nation showed too little interest in contract research. Not until the atomic energy research laboratories at Harwell launched a big effort in the late-1960s, after carefully studying the Battelle experience, was contract research taken seriously by the UK.

Battelle has a London-based team specialising in technical management assessment. It is a team of eight professionals forecasting what the future may hold for companies a decade or so away. "We will broaden our activity in the UK," Prof Kabierschke promises.

One possibility is a specialist automotive laboratory concentrating on special-purpose vehicles across a spectrum spanning, incongruously, military vehicles and transport for the handicapped. Another is that Battelle will build on Britain's expertise in environmental sciences.

But Italy is probably the most attractive prospect for expansion of Battelle Europe, Staehle believes. The Italian Government has made it clear it is eager to see Battelle expand from its present marketing base in Milan. The way ahead may be a joint venture, either with the state or with a private company, says Staehle.

France is also courting the company and has offered land as an inducement. But it wants the research centre in a provincial setting, away from Paris. Battelle has already won a state contract to discover which French schools may have had asbestos used in their construction.

Although not strictly research—and Battelle's charter still precludes undertaking mere "testing"—Battelle executives justify this contract on the grounds that it harnesses the organisation's special expertise in environmental toxins. "It's what we call high technology services," says Klaus Staehle.

Company Notices

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 01/01124/06)

ISSUED CAPITAL: 16,862,721 shares of 50 cents each

	Consolidated Quarter ended 30 June 1987	Consolidated Quarter ended 31 March 1987	Consolidated Six months ended 30 June 1987
OPERATING RESULTS (tons 000)			
Total mined	2,320	2,581	4,901
Tons sold	2,016	2,180	4,196
FINANCIAL RESULTS (R000)			
Sales and other revenue	44,324	48,609	92,933
Cost of sales	35,884	36,493	72,377
Profit before tax	8,440	12,116	20,556
Tax	3,578	3,060	6,638
PROFIT AFTER TAX	4,862	9,056	13,918
Capital expenditure	1,522	2,688	4,210
Dividend	5,059	—	5,059

NOTES:
(1) Capital Expenditure: The unexpended balance of authorised capital expenditure at 30 June 1987 was R6.3 million.
(2) Dividend: A dividend (No. 148) of 30 cents per share declared on 11 June 1987 is payable to members on or about 5 August 1987.

On behalf of the Board
P. R. JANISCH
A. M. D. GNODDE
Directors

10 July 1987

ECU 175,000,000
CREDIT NATIONAL
Guaranteed Floating Rate Notes due 1995
Unconditionally guaranteed by the Republic of France

For the 3 months period July 15 1987 to October 15 1987 the Notes will carry an interest rate of 6 11/32% per annum with an interest amount of Ecu 174.10 per Ecu 10,000 note and of Ecu 1,740.97 per Ecu 100,000 note. The relevant inteerst payment date will be October 15 1987.

BANQUE PARIBAS (Luxembourg) SA
Agent Bank

Science Parks

The Financial Times is proposing to publish this Survey on
TUESDAY SEPTEMBER 1 1987

For full details contact:
ANTHONY HAYES
on 021-454 0922

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Toray Industries, Inc.
(formerly Toyo Rayon Kabushiki Kaisha)

S.G. Warburg & Co. Ltd. announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 31st March, 1987 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S.G. Warburg & Co. Ltd. may present Coupon No. 9 for payment at:–

S.G. Warburg & Co. Ltd.	Banque Internationale
Paying Agency, 6th Floor,	à Luxembourg,
1 Finsbury Avenue,	2 Boulevard Royal,
London EC2M 2PA	Luxembourg

Payment will be subject to deduction of Japanese Withholding Tax and in London, United Kingdom Tax (where applicable) at the appropriate rates. Details of tax deduction can be obtained from the Paying Agents.

14th July, 1987

Soviets join UN Common Fund

BY WILLIAM DULLFORCE IN GENEVA

THE Soviet Union announced yesterday it would join the UN Common Fund for Commodities. Its action opens the way for the price-stabilising agency, strongly sought by commodity producers, to come into effect after seven years of procrastination by key consuming countries.

Moscow's move, announced by Mr Boris Aristov, the foreign trade minister, to the seventh session of the UN Conference on Trade and Development (Unctad), was described as "of great political significance" by Mr Kenneth Dadzie, Unctad's secretary-general.

Mr Aristov said the Soviet Union was responding to appeals from the non-aligned movement and the developing countries. It hoped the fund would "promote the creation of a more stable and predictable situation on the world commodity markets in the interest of both importing and exporting countries."

Agreed in June 1980, the fund was framed with a potential initial capitalisation of $750m. To come into force, it needed to be ratified by 90 countries accounting for two-thirds of the $470m in direct contributions payable by governments.

Until this week 94 countries, providing 59.06 per cent of the capital, had ratified. They included Japan and all the European Community members apart from Portugal.

Two countries blocking the measure were the US—scheduled to contribute 15.7 per cent of the capital—and the Soviet Union (6.21 per cent including the shares of Byelorussia and the Ukraine). Under President Carter, the US signed the agreement, but the Reagan Administration has refused to act on ratification.

Before Mr Mikhail Gorbachev took over, the Soviet Union had declined to join because, it claimed, lack of development in the Third World was the fault of the capitalist countries.

The Soviet move will not be enough to provide the required two-thirds of capital, but the Unctad staff expects the remaining 1.4 per cent to be pledged during the current three-week assembly.

This could be achieved either by other East Bloc countries or by some of the 10 developing countries which have not yet accepted offers from Norway and from the Organisation of Petroleum Exporting Countries to pay their contributions.

The primary objective of the Common Fund is to support international commodity agreements, such as those covering rubber and cocoa, in their efforts to keep prices stable. It is divided into two accounts or "windows."

The first, with $400m available in direct contributions, would act as a line of credit to international commodity organisations for financing their buffer stock operations and would provide back-up guarantees for the organisations' borrowing.

No existing commodity accord would be immediately eligible for such financial backing, which depends on an agreement of association between the fund and the commodity organisation. But cocoa might become a candidate and Unctad staff stress the importance the fund could have in relieving partially the financing burden of commodity agreements.

Of more immediate interest would be the fund's second account, originally scheduled to be equipped with $280m in voluntary contributions plus a further $70m from the first account. Its purpose is to finance productivity improvements, research and market promotion.

It is also supposed to give priority to commodities of interest to the 40 least developed countries. These aims are much closer to the support for projects to help countries diversify from primary commodity production which some industrial countries, including those of the EC are willing to entertain.

Agreements such as those covering tropical timber and jute would be eligible for second account funding. Originally, the fund's creators had in mind 18 commodities.

Unctad staff see the Soviet move as reviving the prospects for the UN Integrated Programme for Commodities. The IPC has suffered serious setbacks during the 1980s in the collapse of the tin agreement and growing antagonism to commodity agreements in the big consuming countries.

Chinese harvest vegetables in the Fens

Financial Times Reporter

CHINESE vegetables have become part of the horticultural industry in the East Anglian Fens.

The first crops are now being harvested at a 34-acre computerised glasshouse complex at Wisbech, Cambridgeshire, which was bought by two Chinese businessmen earlier this year for almost £400,000.

The nursery, which is the largest of its kind in England, is specialising in a range of 12 oriental vegetables with such exotic names as choi sam, tong choy and kai lan, all of which are very much at home in a Chinese meal.

The nursery has 300,000 sq ft of heated glass and employs 20 workers. The vegetables need heat, moisture and fertiliser but grow quickly, producing five to six crops a year. They will be supplied fresh to Chinese restaurants and super markets in London and other parts of Britain.

Indonesia seeks to boost domestic soyabean output

BY JOHN MURRAY IN JAKARTA

INDONESIA is to expand its soyabean plantings in a bid to reduce imports and conserve scarce foreign exchange.

Officials confirmed yesterday soyabean acreage would be increased from 1.1m hectares to nearly 1.3m hectares in 1987. The country now imports about 300,000 tonnes a year to make up a domestic shortfall and to satisfy growing local demand.

Much of the imported soyabean comes from China. However a significant amount is bought from the US, where the American Soya Association is attacking Indonesian and other palm oil producers in what has become known as the "fight the fat" campaign. Indonesia is one of the world's largest producers of palm oil, which is the main competitor for soyabeans in the increasingly cut-throat vegetable oils market.

The country's output of soyabeans, most of which is used in making food bean curd, has been increasing sharply, rising from 869,718 tonnes in 1985 to 1.19m tonnes last year. Production is again expected to increase in 1987 to 1.3m tonnes with average yields of around 0.9 to 1.2 tonnes per hectare.

Much of the newly-planted areas will be in less productive dry land rice paddies. A policy of giving farmers cheap credit facilities, seed and fertiliser to encourage further soyabean growing has been in place for several years.

However, increased incidence of pest and disease problems has often been a constraint on Indonesia's efforts to reach self-sufficiency in soyabean production.

Indonesia is also a large importer of soyabean meal, used for the thriving poultry and livestock sectors. China has traditionally been the main supplier.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Change during week ending last Friday)

Aluminium	(tonnes)
high grade	—50 to 1,100
standard	—3,050 to 84,025
Copper	—1,350 to 102,675
Lead	+225 to 21,375
Nickel	+210 to 8,844
Tin	—525 to 26,090
Zinc	+1,150 to 29,400
	(ounces)
Silver	+172,000 to 22,552,000

Norway to cut oil output by 7½%

By Karen Fossli in Oslo

NORWAY will cut oil production by 7.5 per cent in order to "contribute towards a stabilisation of oil prices at a reasonable level."

Mr Arne Oeien, Norway's Oil and Energy Minister, pledged support for the Organisation of Petroleum Exporting Countries in early June when Mr Rilwanu Lukman, the organisation's president, visited Oslo to encourage continued co-operation.

Norway's oil production policy for the first half of 1987 included a cut of 7.5 per cent, or 80,000 barrels per day, from February 1.

On the basis of the Opec decision in Vienna, the production discipline shown by Opec countries so far this year, and the support of other producing countries, the Norwegian government says it is willing to continue its support in the second half of the year.

Norway is now producing about 1m barrels of oil per day. In the first three months of 1987 its North Sea oil and gas revenues fell 17.8 per cent to NKr 14.5bn (£133m) from NKr 17.6bn in the same period last year.

Britain's share of EC support costs falls

BY BRIDGET BLOOM

THE COST of measures to support Britain's farmers under The European Community's common agricultural policy declined markedly last year compared to 1985.

According to the anual report of the Intervention Board for Agricultural Produce for 1986, which administers the support programme in the UK, the programme cost £1.73bn last year compared to £2.09bn in 1985, a saving of £364m.

The main reason for the difference between the two years was the lower cost of buying in and storing cereals. Largely thanks to poor harvests in southern Europe, which boosted Britain's cereal exports, the cost of buying cereals under the EC's intevention system declined from £576m in 1985 to £298m in 1986.

Also contributing to the overall decline in support costs were smaller intervention purchases of butter (£144m compared to £173m in 1985) and of beef (£113m against £173m in 1985). Sales from the intervention stocks of all three commodities also increased.

According to its newly published annual report, the Intervention Board's turnover was £2.8bn in 1986. Receipts, mainly from sales of surplus commodities, were £563m.

The cost of administering the 45 support schemes, which range from buying and storing surplus produce to administering border taxes and export subsidies, was £24m. Extra staff — 794 officials compared to 728 in 1985 — were needed to deal with what Mr Guy Stapleton, its chief executive, called the growing volume and complexity of the board's work.

During 1986 the board purchased nearly 1m tonnes of intervention commodities and sold nearly 3m tonnes, with cereal stocks declining from 5.7m tonnes to 3.8m tonnes — equivalent to just under a fifth of last year's harvest.

Stocks of beef and skimmed milk powder fell by 34 per cent and 44 per cent respectively, though butter stocks rose by nearly 18 per cent.

According to the board's latest figures, cereal stocks at the end of May this year were about 2.3m tonnes, with 215,000 tonnes of butter, 14,000 tonnes of skimmed milk powder and 56,000 tonnes of beef being held in more than 300 special cold stores throughout Britain.

In 1986, Britain accounted for roughly a fifth of all butter stored in intervention throughout the EC, nearly one half of all feed wheat, just under one half of all the barley — but only a tenth of the EC's surplus beef.

Talking to farmers at the Royal Show last week of the EC's surpluses, Mr John Mac Gregor, the Agriculture Minister, noted that buying and storing these products "swallowed up" £12.5bn or half of the EC's annual budget.

Intervention Board for Agricultural Produce 1986 HMSO C. 167. £6.40.

Facing up to disintensification

FARMER'S VIEWPOINT

By John Cherrington

FARMING'S latest buzz-word is "disintensification" — I even heard the Minister of Agriculture use it at the Royal Show last week. It is apparently the only positive policy which he can advocate to cure the problems of the surpluses, budget deficits and so on which afflict farming worldwide.

I am trying to apply it to my own farming problems, but it is not easy.

Last week, for instance, I discovered some chocolate coloured spots on the leaves of a lush crop of beans. If allowed to develop unchecked they could spread and destroy much of the crop's potential yield.

From the point of view of the EC budget that would be a boon. Beans absorb a sizeable amount of subsidy and obviously the fewer harvested the less would be the drain on Community funds.

It would cost me money, however. *The crop has already* incurred very high fixed and variable costs, and knowingly to accept a reduced yield would be financial suicide.

This is an extreme case, of course, but it underlines the point that once a farmer has set out to grow a crop he must do all he can to ensure the maximum return. Otherwise he risks losing a great deal more than the marginal cost of the fertiliser or spray he has neglected to apply.

It is equally obvious that no farmer could afford to disintensify his production in isolation. That would simply mean that those who remained in farming would profit at his expense, to the extent that prices were raised by the drop in overall output.

Most farmers realise this and so are pressing for a compulsory land set-aside system or production quotas like those applied in the dairy sector. Although milk quotas were greeted with alarm when they were instituted, there was in the circumstances no other alternative but a free-for-all, which might have suited a minority of farmers, but would have created great anxieties and difficulties for the majority.

It seems to me that Mr John MacGregor, the present Agriculture Minister, and his predecessor, Mr Michael Jopling, would have preferred that course. Certainly the former deprecated the idea of a compulsory cereals set-aside when speaking at the Royal Show. But it is the policy of the National Farmers' Union and is supported by the majority of British farmers. It is also the only practical way in which a real reduction in output could be achieved.

Farmers have learnt that the only way of reducing their unit costs of production is to increase output and so spread their overheads. When the slump in cereal prices occurred in 1921 it took nearly 10 years and a halving of prices before cereal output in Britain began to fall. World wheat output continued to rise during the worst of the slump.

This stability of production was accompanied by a lessening of the intensity of farming, through a rationalisation of farming inputs. Quite a number of farmers went to the wall; large numbers of workers left the land and the wages of those who remained were reduced by statute; landlords cut rents to the bone, rather than let their land become derelict, and many arable farms were let rent free.

I never managed to get one as cheaply as that but I did rent a farm in 1939, by which time things were looking up, for *five shillings an acre for the* first two years followed by 10 shillings for the next two years.

Those of us who survived those times only did so because of that very low cost structure. Some did not survive, of course, but generally speaking they were in areas of low fertility.

This question of fertility is an interesting one. Land is officially graded these days but there is, in fact, comparatively little difference between the output of, say, Grade I and Grade III land.

With modern fertilisers and crop protection chemicals most land can be made productive.

Although he did not specify what he meant by disintensification, it seemed to me that Mr MacGregor was hankering after Mr Jopling's theme of price restraint as a means of bringing down output. Faced with such a policy farmers would make the same attacks on their costs as their predecessors did in the 1920s and 1930s.

There is nothing sacrosanct about the present high level of rents. As they have done *before, bankers will have to* carry their indebted customers, or else lose even more money. The fertiliser and chemical companies will have to accept lower prices or risk going out of business altogether. I see no reason to suppose that farm output will fall significantly although the lives of those in the support industries could well become less comfortable.

In fairness it must be said that Mr MacGregor has been doing his best to warn farmers of the tough times ahead, in almost Churchillian terms. They have only their entrepreneurial skills to assist them in rebuilding a viable countryside a *rurally* based economy to replace the "probable loss of agricultural earnings" of which Mr MacGregor warns.

But he underlines the fact that we are now in Europe and that there can be no independent British policy. Everything has to be agreed by the Council of Ministers. This means that nothing will be done until the whole Common Agricultural Policy collapses and agricultural decision-making reverts to some form of national responsibility, which should have happened long ago.

This has of course been suggested before and has always been turned down on the grounds that the CAP is the only functioning example of European unity. I believe it to be a short-fused time-bomb which could soon blow the whole enterprise apart.

LONDON MARKETS

COCOA prices advanced in an active day's trading as the International Cocoa Organisation began its emergency five-day meeting in London on possible changes to the price levels defended by the operation of the buffer stock. The three-month position ended at £1,371.50—£16 up on the Friday close. Dealers said that contracts were buoyant for most of the day in response to reports of continued dry weather throughout the African cocoa growing areas over the weekend. ICCO's latest forecast is for world production of cocoa to exceed demand by 87,000 tonnes for 1986/87, compared with its March forecast of 94,000 tonnes. In contrast, coffee prices drifted lower, with slight buying interest and little fresh news to stimulate activity. Meanwhile, the price of three-month nickel rose by a further £12.50 following the £67.50 a tonne advance seen on Friday. This took it to a 16-month high of £2,907.50 a tonne. However, analysts believe that the market remains vulnerable to pressure either way.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1605-6	+0.5	1606/603

Official closing (am): Cash (——), three months 1,603-5 (1,610-20), settlement —— (——). Final Kerb close: 1,605-6. Ring Turnover: 500 tonnes.

99.5% purity	£ per tonne		
Cash	1012-14	+3	1018
3 months	941-2	+7	944/940

Official closing (am): Cash 1,018-19 (1,010.5-12.5), three months 943-3.5 (944-5.5), settlement 1,019 (1,012.5). Final Kerb close: 941-2. Ring Turnover: 27,950 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	1047.5-8	—4.75	1052/1047.5
3 months	1031.5-2	—6.5	1039/1031

Official closing (am): Cash 1,050.5-1 (1,056-7), three months 1,034-5 (1,040-1), settlement 1,051 (1,057). Final Kerb close: 1,034-5.

Standard			
Cash	1042-4	—9.5	—
3 months	1023-5	—6	—

Official closing (am): Cash 1,040-5 (1,055-6), three months 1,023-30 (1,031-2), settlement 1,045 (1,056). US Producer prices 79.5-84 cents a pound. Total Ring Turnover: 18,800 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	424-5	—	427/426
3 months	400.5-1	+1.25	405/400

Official closing (am): Cash 428.5-7.5 (414-15), three months 401-1.5 (397-8), settlement 427.5 (415). Final Kerb close: 400-1. Ring Turnover: 11,850 tonnes. US Spot: 38-42 cents a pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	2875-85	+15	2880/2875
3 months	2905-10	+12.5	2910/2885

Official closing (am): Cash 2,875-80 (2,850-5), three months 2,905-10 (2,870-5), settlement 2,880 (2,855). Final Kerb close: 2,900-20. Ring Turnover: 774

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	527-9	+3.5	526
3 months	513-14	—5	519/510

Official closing (am): Cash 526-7 (528-9), three months 511.5-12 (516-16.5), settlement 527 (529). Final Kerb close: 514-15. Ring Turnover: 8,700 tonnes. US Prime Western: 47.5-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price £/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Sept.	Nov.	Sept.	Nov.
Aluminium 99.5%	1,525	—	—	37½	91½
	1,550	42½	35½	49½	108½
	1,575	32	28½	—	—
Copper (Grade A)	1,675	—	—	57	96½
	1,700	41½	54½	71½	110½
	1,725	33	47	—	—
Copper (Grade A) £/tonne	1,025	—	—	25½	40
	1,050	24	32½	35	52½
	1,075	15	22	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.33 (16.40) ringgit per kg. Down 0.07.

GOLD

GOLD BULLION (fine ounce)		July 13
Close	$446½-447	(£275¾-276¼)
Opening	$443-443½	(£275-275½)
M'n'g fix	$445.70	(275.146)
Aft'n'n fix	$446.50	£276.248
Day's high	$447½-448	—
Day's low	$442¾-443¼	—

GOLD AND PLATINUM COINS

Am Eagle	$459-464	(£284¼-287½)
Mapleleaf	$460-465	(£283-284¾)
Kr'g'r'nd	$445½-448½	(£275¾-277½)
½ Krug	$232-233	(£143¼-144)
¼ Krug	$116¼-117¼	(£71¾-72½)
Angel	$457½-460½	(£282¾-284¾)
1/10 Angel	$43½-46½	(£26¾-30)
New Sov.	$105-106	(£65-65½)
Old Sov.	$105-106½	(£64¾-66½)
Noble Plat.	$570-580	(£352¼-358¼)

COTTON

LIVERPOOL—Spot and shipment sales for the week ended July 11 amounted to 719 tonnes, against 313 tonnes in the previous week. Moderate trading occurred with support mainly on African and Central American growths.

INDICES

REUTERS

July 13	July 10	M'th ago	Yearago
1641.8	1640.0	1616.8	1411.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 10	July 9	M'th ago	Year ago
Spot	128.56	128.22	—	124.80
Fut	126.28	126.53	—	112.06

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 13 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1665/685	—25	$1660/620
Copper			
Cash Grade A	£1047.75	—4.75	£975
3 months	£1031.75	—6.5	£956.5
Gold troy oz	$446.75	+0.25	$459.75
Lead Cash	£425		£377
3 months	£400.75	+1.25	£358.5
Nickel			
Free Mkt	219-229c	+4	204/224c
Palladium oz	$137.75	—2	$138.00
Platinum oz	$567.25	—6.45	$578.00
Quicksilver†	$240/250	+5	$250/260
Silver troy oz	468.20p	—6.45	467.85p
3 months	476.65p	—6.80	467.75p
Tin			
free Mkt	£4040/070	—5	£4148/170
Tungsten	$56.21		$58.16
Wolfram 22.0lb	$48/55		$48/55
Zinc	£538	—3.5	£567
3 months	£513.5	—5	£538.75
producers	$860		$842
OILS			
Coconut (Phil)	$460z		$440
Palm Malayan	$327.5t		$340
Seeds			
Copra (Phil)	$315x	—5	$290.5
Soyabean (U.S.)	$160z	+1	$158.5
GRAINS			
Barley Fut. Nov.	£96.90		£96.95
Maize	£160.50		£163.00
Wheat Fut. Sept	£98.90	—0.15	£99.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1371.5	+16	£1394.5
Coffee Ft. Sept	£1229	+19.5	£1318.5
Cotton A Ind.*	82.95c	+1.5	81.35c
Gas Oil Aug.	$168.5	+0.5	$158
Rubber (kilo)	68.5p	—0.5	63.75p
Sugar (raw)	$173.20	—0.8	$171
Wooltops 64s	478p kilo	+1	487p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

SILVER

Silver was fixed 6.45p lower for spot delivery in the London bullion market yesterday 468.2p. US cent equivalents of the fixing levels were: Spot 755.5c, down 10c; three-month 768.25c, down 10.45c; six-month 781.55c, down 11c; and 12-month 810.0c, down 11.9c. The metal opened at 464¼-466½p (748-751c) and closed at 474-476p (767-770c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	468.20p	—6.45	770c	+6
3 months	476.65p	—6.80	782c	+7
6 months	489.30p	—7.05	—	—
12 months	510.95p	—7.75	—	—

LME—Turnover: 1 (1) lots of 10,000 ounces.

Three months final kerb 780-4.

COFFEE

COFFEE	Yesterday close	+ or —	Business done
July	1192-1210	—2.0	1193-1185
Sept.	1228-1230	—19.5	1230-1217
Nov.	1248-1250	—18.0	1258-1243
Jan	1272-1275	—16.0	1278-1268
Mar.	1294-1298	—15.0	1303-1294
May	1306-1315	—26.0	1322-1314
July	1330-1340	—15.0	—

Sales: 2,145 (1,616) lots of 5 tonnes. ICO indicator prices (US cents per pound) for July 10: Comp. daily 1979 95.49 (95.88); 15-day average 96.69 (96.87).

COCOA

Following a quiet opening at the levels due, futures rose sharply and traded £2 2higher on the day before profit-taking near the close eroded half the gains. Consumers were not willing to trade at current levels and producers were offering forward cocoa on a scale-up basis, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1382-1399	+5.0	1410-1400
Sept.	1371-1372	+16.0	1378-1358
Dec.	1394-1395	+9.0	1402-1381
March	1408-1409	+6.0	1415-1403
May	1424-1425	+7.0	1430-1414
July	1439-1441	+5.0	1442-1439
Sept.	1456-1459	+8.0	1461-1457

Sales: 7,358 (7,853) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for July 13: 1,712.25 (1,693.42): 10-day average for July 14: 1,650.81 (1,642.75).

FREIGHT FUTURES

The market declined in thin conditions. Participation was light due to continuing lack of physical news with levels drifting back after a softer BFI caused mainly by a lower Gulf/Continent fix, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	895/900	900/895	899/900
Oct.	956/958	960/950	953
Jan.	955/960	955/955	965/970
Apr.	995	—	990/1010
July	967.5	—	900
Oct.	980	—	1000/1300
Jan.	980	—	980
April	1040/1075	—	1060/1100
BFI.	922		925.0

Turnover: 53 (54).

GRAINS

Old crop wheat firmed on erratic short-covering before easing towards the close. New crops found hedge selling on wheat, while barley again attracted shipper support, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
July	121.25	+0.45	—	—
Sep.	98.90	—0.15	95.85	+0.10
Nov.	101.20	—0.15	98.90	—
Jan.	104.00	—0.15	101.185	—
Mar.	106.65	—0.15	104.30	+0.05
May	109.25	—0.15	105.90	+0.05
July	111.40	—0.15	—	—

Business done—Wheat: July 122.00-1.25, Sept 98.90, Nov 101.30-1.15, Jan 104.10-4.00, March 106.75-6.60, May 109.20, July untraded. Sales: 82 lots of 100 tonnes. Barley: Sept 95.85-5.65, Nov 98.90, Jan 101.85-1.70, March 104.25, May 105.90. Sales: 54 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July 95.25, Aug 94.25, Sept 94.25. US No 2 Soft Red Winter: July 98.50, Aug 97.50, Sept 98.75. French 11½-12 per cent: July 118.75, Aug 118.00. English feed, fob: Sept 100.00-100.50, Oct/Dec 103.50-104.50, Jan/March 108.00-108.50, April/June 111.50-113.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: July 180.50. Barley: English feed: July/Aug 96.50 sellers, Aug 96.00-97.00, Sept 98.50-99.00 buyer/sellers, Oct/Dec 102.75, Jan/March 103.50 buyer.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 97.53p per kg lw (—0.03). GB—Sheep 191.32p per kg est dcw (+4.77). GB—Pigs 72.51p per kg lw (+0.17).

US MARKETS

IN THE ABSENCE of major news, most markets tended to trade in light volume, reports Drexel Burnham Lambert. Crude oil rallied on light trade buying. Gold, silver and platinum recovered on trade buying following earlier declines on commission house selling. Copper remained weak on overseas selling and profit-taking. Sugar featured two-sided trade activity. Coffee rallied on local and commission house buying which was joined by trade buying. Cocoa rallied on arbitrage and commission house buying before profit-taking and liquidation eased prices. In cotton new contract highs in the December contract resulted from aggressive early commission house buying, but persistent trade selling saw the market fall back. Orange juice rallied on commission house buying. In the grains and soyabean complex easier prices across the board reflected long liquidation which touched off stops on the opening in response to cooler weather, but fund and technical buying pared losses. Pork bellies and hogs were lower, reflecting weaker cash prices and a more consistent flow of hogs for slaughter. Cattle featured eroding prices in response to easier cash prices.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.50	73.65	73.70	73.70
August	73.05	73.20	—	—
Sept	72.60	72.20	72.75	72.30
Dec	71.25	71.60	71.25	71.25
Jan	69.90	70.00	—	—
March	68.80	69.60	69.00	69.00
May	68.00	68.25	—	—
July	67.50	68.25	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	2076	2057	2082	2076
Sept	2092	2069	2115	2089
Dec	2095	2050	2118	2081
March	2105	2108	2127	2106
May	2123	2127	2144	2131
July	2144	2148	—	—
Sept	2175	2169	2190	2176
Dec	2201	2196	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	104.73	101.98	104.85	101.00
Sept	105.05	102.53	105.30	101.21
Dec	107.83	105.13	107.90	104.00
March	110.05	107.38	110.00	106.50
May	111.59	108.50	111.50	108.25
July	111.00	111.36	112.50	111.00
Sept	111.25	112.07	—	—
Dec	116.75	114.01	116.00	116.00

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	75.40	75.95	75.75	75.20
August	75.10	75.60	—	—
Sept	74.50	74.80	74.70	73.90
Dec	73.50	74.05	73.85	73.20
Jan	73.35	73.80	73.50	72.60
March	72.80	73.30	72.95	72.60
May	72.55	73.15	72.60	72.20
July	72.45	73.15	72.60	72.20
Sept	72.36	73.05	—	—
Dec	72.45	73.20	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
Oct	73.50	74.43	74.70	73.40
Dec	72.35	73.07	73.60	72.20
March	73.08	73.78	74.50	72.90
May	73.65	74.22	74.70	73.40
July	73.77	74.38	74.80	73.75
Oct	68.00	68.90	—	—
Dec	66.55	67.10	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	21.42	21.33	21.54	21.38
Sept	20.81	20.82	20.94	20.39
Oct	20.57	20.57	20.66	20.57
Nov	20.49	20.45	20.55	20.47
Dec	20.43	20.39	20.49	20.41
Jan	20.42	20.33	20.44	20.37
Feb	20.39	20.29	20.40	20.37
March	20.37	20.26	20.37	20.37
April	20.36	20.24	20.37	20.35

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	446.9	444.3	—	—
August	448.6	446.0	449.7	446.2
Sept	451.1	448.5	—	—
Oct	453.8	451.2	455.0	450.2
Dec	459.0	456.4	460.0	455.6
Feb	464.4	461.8	465.0	461.2
April	469.8	467.2	467.8	467.9
August	481.1	478.5	479.0	479.0
Sept	475.3	—	473.8	473.8
Oct	487.1	484.4	489.0	484.3
Dec	493.1	490.4	493.0	490.5
Feb	499.3	496.6	497.5	497.5

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	566.3	561.1	569.0	556.0
Oct	570.3	565.6	574.5	561.0
Jan	577.1	572.6	581.5	569.5
April	584.1	579.6	583.0	583.0
July	591.1	586.6	594.5	594.5
Oct	598.1	593.6	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	55.15	55.32	55.60	55.10
Sept	55.70	55.91	56.30	55.70
Oct	56.40	56.66	56.90	56.35
Nov	57.25	57.53	57.80	57.25
Dec	58.05	58.10	58.50	57.85
March	57.05	57.05	57.05	56.90
April	56.20	56.00	56.30	56.30

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	131.40	132.00	131.80	131.45
Sept	128.80	128.60	127.60	126.45
Nov	123.75	123.55	123.80	123.45
Jan	121.80	122.00	121.90	121.75
March	121.75	122.00	121.75	121.75
May	122.00	122.30	—	—
July	122.00	122.30	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	761.3	758.0	770.0	755.0
August	763.7	761.2	—	—
Sept	769.0	766.5	781.5	760.0
Dec	783.5	780.9	798.0	775.0
Jan	786.3	786.8	—	—
March	798.5	798.7	810.0	795.0
May	809.0	806.1	—	—
July	819.4	816.5	—	—
Sept	829.9	826.9	835.0	826.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.70	6.61	6.80	6.58
Oct	6.86	6.76	6.96	6.82
Jan	7.20	7.22	—	—
March	7.45	7.47	7.49	7.45
May	7.61	7.63	7.67	7.62
July	7.76	7.77	7.80	7.75
Oct	7.96	8.00	7.97	7.95

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	Prev	High	Low
Aug	62.00	62.65	62.70	61.82
Oct	61.30	62.02	61.95	61.25
Dec	63.77	64.12	63.92	63.67
Feb	64.22	64.65	64.60	64.10
April	65.05	66.27	65.35	64.90
June	64.50	64.70	64.69	64.30
Aug	63.30	63.60	63.60	63.30

LIVE HOGS 30,000 lbs, cents/lb

	Close	Prev	High	Low
July	58.90	59.55	59.70	58.82
Aug	54.17	54.55	54.90	53.90
Oct	45.72	46.05	46.10	45.30
Dec	46.00	46.22	46.15	45.87
Feb	44.47	44.55	44.70	44.10
April	41.75	41.80	41.75	41.30
June	43.00	42.87	43.00	42.65
July	43.00	43.30	43.30	42.70
Aug	41.75	41.55	41.75	41.80

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
July	162.6	167.0	169.0	162.4
Sept	169.6	172.6	171.2	169.0
Dec	176.6	180.0	178.2	176.6
March	186.0	188.6	187.2	184.8
May	191.0	193.6	192.0	190.0
July	192.6	195.2	193.4	192.0
Sept	192.0	194.4	193.6	192.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
July	78.00	80.00	79.85	78.00
Aug	74.67	76.57	76.10	74.57
Feb	66.30	69.87	69.75	68.42
March	68.80	69.60	69.32	68.05
May	68.87	69.80	69.55	68.50

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	543.6	546.0	546.0	543.0
Aug	531.2	538.4	536.4	530.4
Sept	516.4	529.2	524.0	514.0
Nov	519.6	530.4	524.4	513.0
Jan	526.6	538.2	532.4	522.0
March	535.4	547.2	540.0	534.0
May	541.0	553.4	547.0	541.0
July	542.0	555.4	549.4	542.0
Aug	537.0	553.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	168.4	169.8	169.6	167.0
Aug	163.7	165.7	165.4	162.7
Sept	160.1	162.2	161.6	159.5
Oct	157.0	160.6	158.5	156.5
Dec	157.3	161.2	159.0	156.0
Jan	157.9	162.2	159.5	157.0
March	161.7	165.0	162.0	158.0
May	161.5	163.5	162.0	160.0
July	161.5	165.5	162.0	160.0
Aug	161.5	166.2	161.0	162.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
July	16.05	16.32	16.13	16.04
Aug	16.13	16.40	16.25	16.11
Sept	16.30	16.55	16.42	16.28
Oct	16.46	16.70	16.56	16.40
Dec	16.77	16.97	16.89	16.72
Jan	16.93	17.10	17.09	16.90
March	17.20	17.40	17.32	17.20
May	17.55	17.70	17.55	17.55
July	17.72	17.91	17.81	17.72

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
July	262.0	261.0	262.2	259.0
Sept	267.2	267.2	269.6	265.2
Dec	277.4	276.8	280.0	274.0
March	281.0	279.8	281.4	277.0
May	275.0	274.4	275.4	271.4
July	262.0	262.0	264.0	260.6

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 769.0 (754.0) cents per troy ounce. New York tin 303-8 (303-9) cents per pound.

POTATOES

Forecasts fo a change in the weather, with showers on Wednesday and further rain on Thursday, took futures prices down sharply. April opened at £146.00 and after a brief profit-taking rally to £147.00 prices declined steadily throughoutt he rest of the day to close near the lows, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	98.00	104.3	102.00-97.10
Feb.	106.00	113.0	—
Apr.	139.50	150.3	147.00-139.10
May	153.00	165.0	156.00

Sales: 1,620 (1,558) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.60-17.70*	+0.025
Brent Blend	19.80-19.90	+0.10
W.T.I. (1pm est)	21.45-21.50*	+0.50
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	195-197	+1.5
Gas Oil	156-158	—
Heavy fuel Oil	112-113	—
Naphtha	176-178	+2

* August.

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	130.0-131.0	—1.25	132.0
October	128.5-129.0	—1.00	128.5
Dec	126.2-127.0	—1.60	—
Feb	129.0-130.0	—1.50	—
April	129.0-131.0	—1.25	—
June	128.5-129.5	—0.50	—
August	127.0-129.0	—	—

Sales: 76 (127) lots of 20 tonnes.

TEA

There were 31,118 packages on offer at the London tea auction, including 300 packages in the offshore section, reports the Tea Brokers' Association. A strong demand prevailed for all descriptions. Bangladesh teas sold readily and prices were often 5-10p dearer. Africans met keen competition throughout and were generally 5-15p higher, apart from the plainest and some dust grades which were about steady. Ceylons were well supported and prices rose. Offshore teas came in for strong demand and prices were often substantially dearer. Quotations: quality 170p a kg (160p); medium 115p a kg (110p); low medium 70p a kg (58p).

SUGAR

LONDON DAILY PRICE—*Raw sugar* $173.20 (£107.60), down 80c (down 80p) a tonne for July-August delivery. White sugar $184.40, unchanged.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	152.0-152.4	152.0-155.4	152.8-152.0
Oct	154.4-156.8	156.0-158.4	156.4-155.4
Dec	158.4-161.6	161.0-162.0	162.8
Mar	166.0-166.2	168.4-168.8	167.0-166.0
May	169.2-169.8	—	—
Aug	172.0-174.0	—	—
Oct	175.6-177.2	—	177.8

Sales: 772 (3,223) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £212.00 (£212.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 10: Daily price 6.53 (6.61): 15-day average 6.49 (same).

PARIS—(FFr per tonne): Aug 1121-1130, Oct 1139-1140, Dec 1155-1175, March 1216-1220, May 1240-1255, Aug 1278-1298.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	167.25	+0.50	168.00-67.25
Sept	168.50	+0.50	170.25-68.50
Oct	170.75	+1.00	172.00-70.50
Nov	172.50	—0.50	174.00-72.50

Turnover: 3,201 (3,519) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls back at DM 1.85

THE DOLLAR fell back in London from a strong start, to finish weaker against most European currencies, and also near its lowest level of the day against the Japanese yen.

The initial surge by the dollar followed strong demand in the Far East, where the US currency traded above DM 1.85 for the first time since the middle of March. It also moved above Y151, but found resistance around Y151.50.

The dollar opened slightly below DM 1.85 in Europe, and failed to break through this level and establish a new trading range.

This led to profit taking, on fears of central bank intervention, and reluctance of dealers to run positions ahead of tomorrow's May US trade figures.

Most forecasts suggest little change from the April trade deficit of $13.3bn, but a figure above $14bn could reverse the dollar's recent upward trend.

The dollar fell to DM 1.8425 from DM 1.8450; to FFr 6.1325 from FFr 6.1475; and to SFr 1.5360 from SFr 1.5405, but rose to Y150.95 from Y150.65, after touching a peak of Y151.45 in London and Y151.55 in Tokyo.

On Bank of England figures the dollar's index was unchanged at 103.2

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4716. June average 1.6289. Exchange rate index rose 0.2 to 73.1, compared with 68.5 six months ago.

Sterling remained on the sidelines, as attention focused on the dollar. Firm oil prices helped the pound recover from a nervous start, but there were no other factors to move the currency.

June UK producer prices showed a sharp rise of 0.9 per cent in manufacturing input prices, to give a year-on-year increase of 4 per cent, compared with only a 1.3 per cent annualised rise in April, but this was around the level of most forecasts, and had no impact on London's financial markets. The increase of 0.1 per cent in June output prices, for a year-on-year rise of 3.7 per cent, was also much as expected.

Sterling rose 35 points to $1.6170-1.6180, and also climbed to DM 2.9800 from DM 2.9775 and to Y244.25 from Y243.25, but fell to FFr 9.9200 from FFr 0.0225 and to SFr 2.4850 from SFr 2.4875.

D-Mark—Trading range against the dollar in 1987 is 1.9395 to 1.7699. June average 1.8188. Exchange rate index 148.9 against 147.2 six months ago.

The D-Mark finished unchanged against the dollar in Frankfurt. Trading was quiet, with the dollar falling back after failing to break resistance at DM1.85. Fear of intervention by the Bundesbank prevented the market from pushing the dollar higher, and dealers were also reluctant to trade ahead of tomorrow's US trade figures.

The dollar closed at DM1.8435 in Frankfurt. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM1.8459, compared with DM1.8351 on Friday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 212.4 against 208.9 six months ago.

The yen continued to weaken against the dollar in active Tokyo trading. Japanese securities houses were keen buyers of the dollar, which rose to a peak of Y151.55, before closing at Y151.30, compared with Y150.95 on Friday.

The dollar was also very strong against the D-Mark, rising above DM 1.85 in Tokyo, for the first time for four months. This pushed the D-Mark down against the yen to Y81.80, from Y81.93 at Friday's close.

Dealers expected continued demand for the dollar, but warned that its immediate future will depend on tomorrow's US trade figures.

Mr Yasushi Mieno, senior deputy governor of the Bank of Japan, told a parliamentary committee, that exchange rate stability is likely to continue for some time, but this had little impact.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0873	+1.48	+0.84	±1.5344
Danish Krone	7.85212	7.88659	+0.44	−0.20	±1.6404
German D-Mark	2.05853	2.07667	+0.88	+0.24	±1.0981
French Franc	6.90403	6.91229	+0.12	−0.52	±1.3674
Dutch Guilder	2.31943	2.33809	+0.80	+0.16	±1.5012
Irish Punt	0.768411	0.774919	+0.85	+0.21	±1.6684
Italian Lira	1483.58	1503.73	+1.36	+1.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 13	Latest	Previous Close
£ Spot	1.6175-1.6185	1.6125-1.6135
1 month	0.32-0.31 pm	0.30-0.29 pm
3 months	0.85-0.82 pm	0.87-0.85 pm
12 months	2.67-2.57 pm	2.83-2.75 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		July 13	Previous
8.30	am	73.0	72.9
9.00	am	73.0	72.9
10.00	am	73.0	72.8
11.00	am	73.0	72.7
Noon		73.0	72.9
1.00	pm	73.0	72.9
2.00	pm	73.0	72.8
3.00	pm	73.1	72.9
4.00	pm	73.1	72.9

POUND SPOT—FORWARD AGAINST THE POUND

July 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6095-1.6190	1.6170-1.6180	0.32-0.29c pm	2.26	0.87-0.82 pm	2.09
Canada	2.1255-2.1380	2.1355-2.1365	0.14-0.04c pm	0.51	0.25-0.13 pm	0.36
Netherlands	3.34¾-3.36	3.35-3.36	1¼-1c pm	4.02	3⅜-3 pm	3.80
Belgium	61.68-61.93	61.75-61.85	18-11c pm	2.82	46-37 pm	2.69
Denmark	11.29½-11.33½	11.30¼-11.31¼	⅛-⅝ ore dis	−0.40	1⅞-2⅜ dis	−0.82
Ireland	1.1095-1.1135	1.1120-1.1130	0.01-0.08p dis	−0.38	0.04-0.19 dis	−0.27
W. Germany	2.96-2.99½	2.97½-2.98½	1½-1¼pf pm	5.54	4⅛-3⅞ pm	5.37
Portugal	232.07-234.11	233.15-234.10	87-153c dis	−6.16	309-392 dis	−6.00
Spain	205.06-205.56	205.15-205.45	136-186c dis	−9.41	337-500 dis	−8.15
Italy	2145-2169	2157¼-2158¼	Par-2 lire dis	−0.56	5-7 dis	−1.11
Norway	10.87-10.91½	10.88½-10.89½	4½-5¼ ore dis	−5.37	13-13⅞ dis	−4.94
France	9.86-9.96¼	9.91½-9.92½	1¼-¾c pm	1.29	3-2¼ pm	1.06
Sweden	10.36-10.41	10.38¼-10.39¼	⅛ ore pm-par	−0.14	⅛ pm-⅛ dis	−0.05
Japan	242½-245¼	243¾-244¾	1¼-1 y pm	5.53	3¼-3 pm	5.12
Austria	20.92-20.98	20.95-20.98	9½-8½ gro pm	5.15	26-23½ pm	4.72
Switzerland	2.46¾-2.45	2.48-2.49	1⅜-1⅛ c pm	6.04	3½-3⅛ pm	5.33

Belgian rate is for convertible francs. Financial franc 62.00-62.10. Six-month forward dollar 1.60-1.55 c pm. 12-month 2.80-2.70c pm.

CURRENCY RATES

July 13	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78627	0.697220
U.S. Dollar	5.5	1.2686	1.12441
Canadian $	7.90	*	1.48444
Austrian Sch.	4	16.4559	14.6004
Belgian Franc	7½	N/A	43.0873
Danish Krone	7	8.89458	7.88659
Deutsche Mark	3.0	2.3417	2.07667
Neth. Guilder	4½	2.63799	2.33809
French Franc	9½	N/A	6.91229
Italian Lira	11.5	"	1503.73
Japanese Yen	2½	192.00	170.067
Norway Krone	8	8.56795	7.58918
Spanish Peseta	—	N/A	143.025
Swedish Krona	7½	"	7.29781
Swiss Franc	3.5	"	1.73440
Greek Drach.	20½	176.001	156.025
Irish Punt	—	N/A	0.774919

*CS/SDR rate for July 10; 1.67707

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6095-1.6190	1.6170-1.6180	0.32-0.29c pm	2.26	0.87-0.82 pm	2.09
Ireland†	1.4485-1.4555	1.4545-1.4555	0.26-0.20c pm	1.90	0.93-0.80 pm	2.38
Canada	1.3194-1.3206	1.3195-1.3205	0.18-0.21c dis	−1.77	0.54-0.57dis	−1.68
Netherlands	2.0715-2.0820	2.0740-2.0750	0.30-0.27c pm	1.65	0.87-0.82 pm	1.63
Belgium	38.20-38.40	38.15-38.25	3pm-par	0.47	7-3 pm	0.52
Denmark	6.98¾-7.02	6.98¾-6.99¼	1.00-1.70ore dis	−2.31	4.00-4.70 dis	2.49
W. Germany	1.8400-1.8505	1.8420-1.8430	0.54-0.51pf pm	3.41	1.48-1.43pm	3.15
Portugal	143¾-145	144-144¼	85-125c dis	−8.70	280-330 dis	−8.57
Spain	126.75-127.57	126.85-126.95	110-160c dis	−12.73	290-340 dis	−9.90
Italy	1333-1340	1333¾-1334¼	3.00-4.00lire dis	−3.14	9.00-12.00dis	−3.14
Norway	6.73-6.75½	6.73-6.73½	4.15-4.65ore dis	−7.83	11.90-12.40dis	−7.20
France	6.12½-6.15¼	6.13-6.13½	0.50-0.57c dis	−1.04	1.65-1.85 dis	−1.14
Sweden	6.42-6.44	6.42-6.42½	1.00-1.30ore dis	−2.14	3.20-3.60 dis	−2.11
Japan	150.70-151.45	150.90-151.00	0.46-0.42y pm	3.49	1.15-1.10 pm	2.98
Austria	12.96-12.99¾	12.96¼-12.96¾	3.40-3.00gro pm	2.96	9.00-8.00pm	2.62
Switzerland	1.5335-1.5440	1.5355-1.5365	0.48-0.44c pm	3.58	1.25-1.20 pm	3.18

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.30-38.40

CURRENCY MOVEMENTS

July 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.1	−20.5
U.S. Dollar	103.2	−4.1
Canadian Dollar	78.9	−9.6
Austrian Schilling	137.5	+10.2
Belgian Franc	99.7	−4.7
Danish Krone	92.1	+2.3
Deutsche Mark	146.9	+21.5
Swiss Franc	171.7	+21.8
Guilder	134.9	+14.3
French Franc	71.7	−12.7
Lira	47.1	−18.4
Yen	212.4	+58.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

July 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-8½	8⅝-8⅜	8⅞-8 13/16	9 1/16-8 15/16	9¼-9⅛	9⅝-9⅜
U.S. Dollar	6½-6⅜	6⅝-6⅜	6 11/16-6 9/16	6 13/16-6 11/16	6 15/16-7 1/16	7 3/16-7 5/16
Can. Dollar	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝	8 15/16-8 13/16	8½-8¾	8 13/16-9 1/16
D. Guilder	5-5⅛	5 5/16-5 3/16	5⅜-5¼	5 7/16-5 5/16	5¼-5⅜	5¼-5⅜
Sw. Franc	1⅜-1⅞	2¼-2½	3 5/16-3 3/16	3¼-3⅜	3 13/16-3 11/16	3⅞-4
Deutschmark	3½-3⅝	3 11/16-3 9/16	3⅝-3¾	3 13/16-3 11/16	3⅞-4	4-4⅛
Fr. Franc	7½-7⅞	7 13/16-7 11/16	7 13/16-7 11/16	8-8⅛	8¼-8⅜	8 13/16-8 11/16
Italian Lire	9-11	9⅛-9⅞	9½-10	10-10⅛	10¼-10⅝	10⅝-11
B. Fr. (Fin.)	6⅜-6⅝	6⅜-6⅝	6⅜-6½	6½-6⅝	6 11/16-6 13/16	7-7⅛
B. Fr. (Con.)	6½-6⅞	6¼-6⅞	6¼-6⅝	6⅜-6¾	6½-6⅞	6⅞-7⅛
Yen	3⅛-3 13/16	3⅝-3 7/16	3 11/16-3¾	4-4 1/16	4-4⅛	4 3/16-4⅛
D. Krone	9¼-9½	9⅜-9⅝	9⅜-9⅝	9¾-10⅛	10¼-10⅝	10⅝-10⅞
Asian $Sing.	3½-3⅝	N/A	3⅞-4	4⅛-4¼	4⅜-4½	4⅝-4¾

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8-8¼ per cent; four years 8¼-8½ per cent; five years 8 9/16-8 11/16 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

July 13	£	$
Argentina	2.9785-2.9920	1.8440-1.8510
Australia	2.2630-2.2660	1.3905-1.3915
Brazil	71.6280-72.0320	44.3440-44.5660
Finland	7.2185-7.2310	4.4780-4.4800
Greece	221.90-224.00	137.80-140.10
Hong Kong	12.6100-12.6200	7.8085-7.8095
Iran	117.35*	72.25*
Korea (Sth)	1297.30-1309.00	804.60-811.20
Kuwait	0.45870-0.45920	0.28405-0.28415
Luxembourg	61.75-61.85	38.15-38.25
Malaysia	4.0975-4.1065	2.5380-2.5395
Mexico	2200.00-2236.60	1362.00-1376.00
N. Zealand	2.6720-2.6770	1.6570-1.6590
Saudi Ar.	6.0555-6.0610	3.7495-3.7505
Singapore	3.4270-3.4345	2.1225-2.1235
S. Af. (Cm)	3.3215-3.3370	2.0605-2.0650
S. Af. (Fn)	5.3325-5.5150	3.3060-3.4190
Taiwan	49.95-50.20	31.05-31.15
U.A.E.	5.9310-5.9365	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

July 13	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.618	2.980	244.3	9.920	2.485	3.355	2158.	2.136	61.80
$	0.618	1.	1.843	151.0	6.133	1.536	2.075	1334.	1.321	38.20
DM	0.336	0.543	1.	81.96	3.329	0.834	1.126	724.1	0.717	20.74
YEN	4.094	6.622	12.20	1000.	40.61	10.17	13.74	8834.	8.745	253.0
F Fr.	1.008	1.631	3.004	246.2	10.	2.505	3.382	2175.	2.153	62.30
S Fr.	0.402	0.651	1.199	98.29	3.992	1.	1.350	868.3	0.860	24.87
H Fl.	0.298	0.482	0.888	72.80	2.957	0.741	1.	643.1	0.637	18.42
Lira	0.463	0.750	1.381	113.2	4.597	1.152	1.555	1000.	0.990	28.64
C $	0.468	0.757	1.395	114.3	4.644	1.163	1.571	1010.	1.	28.93
B Fr.	1.618	2.617	4.822	395.2	16.05	4.021	5.429	3492.	3.456	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Good start for Japanese bond

JAPANESE GOVERNMENT bond futures attracted strong demand on the first day of trading in the London International Financial Futures Exchange yesterday. Over 36,000 lots were traded which was easily a record for the first day of a new contract.

More than 10,000 lots changed hands in the first 30 minutes which exceeded all expectations. Japanese institutions were especially active, notably Nomura but there was also considerable volume handled by domestic based traders.

Dealers suggested that the first day had included a proportion of transactions on the crosses which tended to boost volume. Even so the signs were that business levels were likely to remain better than most expecteations. Th trading of Japanese bonds also notched a first for the Liffe market, making it the first exchange o list futures contract related to the US, UK and Japanese bond markets.

Trading volume is likely to be enhanced further by the early start time of 8.10 am (8.45 am yesterday) which will allow an overlap with the Government bond cash market in Tokyo.

The September contract yesterday opened at 109.15 and moved to a high in early trading of 109.35 before slipping away quickly. The low was touched at 108.90 before a close of 109.02.

US Treasury bonds opened at 92-06 for September delivery but eased to trade a couple of ticks either side of 92-00 before the start of business in Chicago. Soon after, dollar weakness and higher oil prices tended to undermine confidence and the price slipped to a low of 91-21 before closing at 91-26 down from 91-29 on Friday.

UK long gilt prices opened at 123-21 for September delivery, little changed from 123-20 on Friday but touched a low of 123-10 before coming back to 123-24 just before the announcement of a 0.1 per cent rise in UK producer prices and a 0.9 per cent rise in manufacturing input prices.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	6.07	6.45	0.07	0.53
120	4.17	5.14	0.17	1.22
122	2.42	3.60	0.42	2.04
124	1.33	2.55	1.33	2.63
126	0.43	2.05	2.43	4.13
128	0.17	1.27	4.17	5.35
130	0.06	0.60	6.06	7.04
132	0.03	0.38	8.03	8.46

Estimated volume total, Calls 1,280 Puts 598
Previous day's open int: Calls 27,067 Puts 17,247

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.54	7.36	0.02	0.20
86	5.58	5.56	0.06	0.40
88	4.08	4.24	0.20	1.08
90	2.39	3.07	0.51	1.55
92	1.20	2.01	1.32	2.49
94	0.33	1.17	2.45	4.01
96	0.11	0.48	4.23	5.32
98	0.03	0.27	6.15	7.11

Estimated volume total, Calls 95 Puts 50
Previous day's open int: Calls 1,572 Puts 599

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
22750	14.81	15.62	0.01	0.82
23000	12.34	13.51	0.04	1.21
23250	9.93	11.53	0.13	1.73
23500	7.63	9.70	0.33	2.40
23750	5.54	8.04	0.74	3.24
24000	3.75	6.55	1.45	4.25
24250	2.34	5.25	2.54	5.45
24500	1.34	4.13	4.04	6.83

Estimated volume total, Calls 13 Puts 15
Previous day's open int: Calls 99 Puts 120

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	16.80	—	16.80	—	0.00	—	0.29
1.50	11.80	11.80	11.80	11.80	0.00	0.06	0.29	0.85
1.55	6.80	6.80	6.97	7.48	0.08	0.44	1.05	2.09
1.60	2.45	3.05	3.70	4.50	0.97	1.83	2.78	4.05
1.65	0.44	0.99	1.63	2.44	3.96	4.77	5.71	6.99
1.70	0.03	0.22	0.58	1.18	8.55	9.00	9.66	10.73
1.75	0.00	0.03	—	0.51	13.52	13.81	—	15.06

Estimated volume total, Calls N/A Puts N/A
Previous day's open int, Calls N/A Puts N/A

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	12.70	—	12.90	—	1.50	—	2.70
1.50	11.30	11.30	11.30	11.35	0.25	0.30	0.60	1.10
1.55	6.30	6.40	6.75	7.30	0.40	0.80	1.35	2.20
1.60	2.25	2.90	3.50	4.30	1.40	2.30	3.15	4.25
1.65	0.60	1.10	1.60	2.30	4.650	5.45	6.25	7.25
1.70	0.25	0.40	0.70	1.20	9.40	9.75	10.25	11.00
1.75	0.35	0.50	—	1.20	14.80	15.30	—	16.50

Previous day's open int: Calls 940 Puts 253
Volume: 35

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.600	2.25	2.80	3.40	4.20	0.85	1.80	2.70	3.70
1.625	1.15	1.70	2.25	2.70	2.20	3.00	4.00	5.00
1.650	0.40	0.85	1.40	2.05	4.10	4.80	5.60	6.70
1.675	0.15	0.15	0.80	1.40	6.40	—	7.40	8.50
1.700	0.05	0.05	0.50	1.10	18.60	8.90	9.50	—
1.725	—	0.10	0.25	0.65	11.10	11.20	—	12.50
1.750	—	—	—	0.45	13.50	13.80	—	14.70

Previous day's open int: Calls 134,283 Puts 78,275
Previous day's volume: Calls 1,208 Puts 584

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.60	1.44	1.23	—	0.00	0.14	0.15	—
91.50	1.36	1.23	1.03	—	0.01	0.18	0.20	—
91.75	1.11	1.04	0.85	—	0.01	0.24	0.27	—
92.00	0.88	0.86	0.68	—	0.03	0.31	0.35	—
92.25	0.65	0.70	0.53	—	0.05	0.40	0.45	—
92.50	0.42	0.55	0.40	—	0.07	0.50	0.57	—
92.75	0.24	0.27	0.29	—	0.14	0.47	0.71	—

Previous day's open int: Calls 1,954 Puts 2,098
Estimated volume, Calls 75 Puts 125

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	124-00	124-02	123-10	123-20
Dec.	123-28	—	—	123-15

Estimated volume 16,880 (24,917)
Previous day's open int. 29,665 (29,999)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sept.	109.02	109.35	108.90	—
Dec.	108.27	108.25	108.10	—

Estimated Volume 36,075 (—)
Previous day's open int. — (—)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	90.80	90.80	90.74	90.75
Dec.	90.81	90.81	90.76	90.76
Mar.	90.77	90.78	90.71	90.74
June	90.71	90.71	90.65	90.65
Sept.	90.63	—	—	90.58
Dec.	90.38	—	—	90.33

Estimated Volume 3,100 (5,509)
Previous day's open int. 13,139 (13,025)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sept.	242.30	243.35	241.70	241.65
Dec.	247.30	—	—	246.15

Estimated volume 990 (1,663)
Previous day's open int. 6,244 (6,017)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.85	92.90	92.84	92.83
Dec.	92.55	92.61	92.55	92.54
March	92.33	92.38	92.32	92.32
June	92.11	92.15	92.10	92.11
Sept.	91.92	91.94	91.92	91.91
Dec.	91.72	91.75	91.71	91.71
Mar.	91.53	91.54	91.53	91.52
June	91.35	—	—	91.35

Estimated volume 3,133 (5,260)
Previous day's open int. 27,299 (27,964)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	91-26	92-06	91-21	91-29
Dec.	90-28	—	—	90-31

Estimated Volume 2,446 (6,334)
Previous day's open int. 4,912 (4,689)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6175	1.6145	1.6091	1.6018	1.5900

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept.	1.6115	1.6130	1.6070	1.6080
Dec.	1.6020	1.6030	1.6010	1.6000
Mar.	1.5990	1.5990	—	1.5960
June	1.5960	1.5960	—	1.5925

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6122	1.6122	1.6054	1.6069
Dec.	1.6045	—	—	1.5989
Mar.	1.5975	—	—	1.5924

Estimated volume 12 (21)
Previous day's open int 851 (837)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	91-23	92-02	91-20	92-09
Dec.	90-23	91-01	90-21	91-09
Mar.	89-25	90-02	89-24	90-11
June	88-29	89-09	88-29	89-16
Sept.	88-04	88-14	88-04	88-23
Dec.	87-14	87-23	87-23	88-00
Mar.	86-24	87-00	87-00	87-10
June	—	—	—	86-21
Sept.	—	—	—	86-02
Dec.	—	—	—	85-17
Mar.	—	—	—	85-02

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	94.19	94.21	94.17	94.20
Dec.	93.94	93.96	94.32	93.95
Mar.	93.74	93.74	93.72	93.74
Jun.	93.51	93.51	93.51	93.52
Sept.	93.33	93.33	93.33	93.33
Dec.	—	—	—	93.15
Mar.	—	—	—	92.95

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6544	0.6546	0.6515	0.6533
Dec.	0.6602	0.6602	0.6575	0.6589
Mar.	0.6661	0.6661	0.6640	0.6658
June.	—	—	—	0.6725

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6665	0.6667	0.6645	0.6669
Dec.	0.6713	0.6716	0.6696	0.6719
Mar.	—	—	—	0.6782
June	—	—	—	0.6852

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	0.5458	0.5460	0.5442	0.5449
Dec.	0.5500	0.5500	0.5485	0.5493
Mar.	—	—	—	0.5539

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	92.85	92.90	92.84	92.90
Dec.	92.55	92.60	92.54	92.60
Mar.	92.33	92.36	92.32	92.37
June	92.12	92.14	92.11	92.15
Sept.	91.92	91.94	91.92	91.95
Dec.	91.73	91.75	91.72	91.76
Mar.	91.53	91.55	91.53	91.56
June	91.34	91.37	91.34	91.37

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	307.00	308.90	306.80	309.45
Dec.	309.35	311.20	309.35	311.85
Mar.	—	313.30	311.70	314.05
June	—	—	313.90	316.25

MONEY MARKETS

UK interest rates show little change

INTEREST RATES were badly changed in the London money market yesterday. Sterling was slightly firmer but there appeared to be little hope of any early change in clearing bank base rates.

Three-month interbank money was quoted at 9 1/16-8 15/16 per cent compared with 9⅛-9 1/16 per cent while the six-month rate finished at 9¼-9⅛ per cent from 9 3/16-9 1/16 per cent.

Most of the day's activity centred on the overnight rate. Discount houses were quite comfortably placed as the residue of delayed VAT re-imbursements continued to influence money flows. This was underlined by the absence of help given by the Bank of England, apart from a nominal £10m late help, on a shortage forecast at £200m. Conditions were expected to remain reasonably comfortable in comparison with the shortages seen recently although funds drawn out by BAA share applications could alter the position early next week.

UK clearing bank base lending rate 9 per cent since May 8

Overnight interbank money opened at 8¾-8½ per cent and rose on the absence of any help to a high of 10½ per cent before coming back to 7½ per cent.

The Bank of England forecast a shortage of around £200m with factors affecting the market including bills maturing in official hands and the repayment of any late assistance together with a take up of Treasury bills draining £1,027m. These were partly offset by Exchequer transactions which added £320m and banks' balances brought forward £135m below target. In addition there was a fall in the note circulation of £385m.

The Bank gave no assistance in the morning or afternoon. Late help came to £10m.

In Frankfurt call money rose to around 3.50-3.60 per cent from 3.45-3.55 per cent as funds were gathered ahead of payments on a new Government loan stock. This was expected to take over DM 3bn

There was speculation that this would lead to a scramble by commercil banks to meet end of month minimum reserve requirements. In addition dealers expect an additional drain on short-term liquidity as banks meet end of month tax payments and some suggested that should the dollar's recent rise continue, the Bundesbank may be forced to intervene in the foreign exchange market, thereby drawing more D-Marks out of circulation.

No new sale and repurchase facility is expected until July 22 when a previous agreement matures.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 13) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 11/16	offer 6 13/16	bid 6 15/16	offer 7 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	8
Fed. funds	6⅝
Fed funds at intervention	6⅝

Treasury Bills and Bonds			
One month	5.09	Three year	7.61
Two month	5.33	Four year	7.83
Three month	5.72	Five year	7.94
Six month	5.72	Seven year	8.17
One year	6.48	10 year	8.36
Two year	7.32	30 year	8.52

July 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.60	3.65-3.75	3.65-3.75	3.65-3.75	3.70-3.85	5.0
Paris	7½-7⅝	7⅝-7¾	7⅝-7⅞	7 13/16-7 15/16	8 1/16-8 3/16	7½
Zurich	⅞-1⅛	3⅛-3½	—	3⅝-3¾	—	—
Amsterdam	4⅞-5	5⅛-5⅜	—	5 3/16-5 5/16	—	—
Tokyo	3.09375	3.53125	—	3.71875	—	—
Milan	10⅛-10⅝	10⅛-10⅝	—	10¾-11¼	—	—
Brussels	6.50	6⅜-6½	—	6½-6⅝	—	—
Dublin	8½-9	9¼-9½	9 5/16-9 11/16	9½-9¾	10-10¼	—

LONDON MONEY RATES

July 13	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-7½	8⅞-8½	8 13/16-8 11/16	9 1/16-9	9¼-9⅛	9⅝-9⅜
Sterling CDs	—	—	8 13/16-8 11/16	9 1/16-8 15/16	9 3/16-9 1/16	9⅜-9¼
Local Auth'rity Deps.	8¼	8⅝	8 13/16	9	9¼	9½
Local Authority Bonds	—	—	9¼	9¼	9 3/16	9 7/16
Discount Mkt Deps.	10-8	8½	8¾	8½	—	—
Company Deposits	—	—	9 1/16	9⅛	9¼	9 7/16
Finance House Deposits	—	—	8 13/16	9⅛	9 3/16	9⅝
Treasury Bills (Buy)	—	—	8 13/16	8 13/16	—	—
Bank Bills (Buy)	—	—	8 13/16	8 13/16	8 13/16	—
Fine Trade Bills (Buy)	—	—	9 1/16	9 1/16	9 3/16	9¼
Dollar CDs	—	—	6.8-6.75	6.80-6.75	6.95-6.90	7.30-7.25
SDR Linked Deposits	—	—	6-5¾	6 3/16-5 13/16	6⅜-6⅛	6 7/16-6 5/16
ECU Linked Deposits	—	—	6 7/16-6 3/16	6 13/16-6 11/16	6 13/16-6 11/16	7⅛-7

Treasury Bills (sell); one-month 8 11/16 per cent; three-months 8¾ per cent; Bank Bills (sell): one-month 8 11/16 per cent; three months 8 11/16 per cent; Treasury Bills; Average tender rate of discount 8.7974 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9¼ per cent; Under £100,000 8 per cent from July 8, Deposits withdrawn for cash 5 per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 13, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.0738
Algeria	Dinar	7.5327
Andorra	French Franc / Spanish Peseta	9.92 / 205.30
Angola	Kwanza	48.8425
Antigua	E. Caribbean $	4.35
Argentina	Austral	2.9853
Aruba	Florin	2.9115
Australia	Australian $	2.2645
Austria	Schilling	20.965
Azores	Portuguese Escudo	233.62
Bahamas	Bahama $	1.6175
Bahrain	Dinar	0.6070
Balearic Islands	Spanish Peseta	205.30
Bangladesh	Taka	49.10
Barbados	Barbados $	3.2533
Belgium	Belgian Franc	(cm) 61.80 / (fn) 62.05
Belize	B $	3.2350
Benin	C.F.A. Franc	496.00
Bermuda	Bermudian $	1.6175
Bhutan	Ngultrum	20.80
Bolivia	Boliviano	(o) 3.3550
Botswana	Pula	2.7450
Brazil	Cruzado	71.83
British Virgin Islands	U.S. $	1.6175
Brunei	Brunei $	3.4308
Bulgaria	Lev	1.4334
Burkina Faso	C.F.A. Franc	496.00
Burma	Kyat	10.8865
Burundi	Burundi Franc	202.94
Cameroon	C.F.A. Franc	496.00
Canada	Canadian $	2.1360
Canary Islands	Spanish Peseta	205.30
Cape Verde Islands	Cape V. Escudo	144.39
Cayman Islands	Cayman Isles $	1.3506
Cent. Afr. Republic	C.F.A. Franc	496.00
Chad	C.F.A. Franc	496.00
Chile	Chilean Peso	359.20
China	Renminbi Yuan	6.0520
Colombia	Col. Peso	395.50
Comoro Islands	C.F.A. Franc	496.00
Congo (Brazzaville)	C.F.A. Franc	496.00
Costa Rica	Colon	100.57
Cuba	Cuban Peso	1.3430
Cyprus	Cyprus £	0.7850
Czechoslovakia	Koruna	(com) 8.95 / (nc 15.59 / (T) 15.24
Denmark	Danish Kroner	11.3075
Djibouti Republic of	Djibouti Franc	283.00
Dominica	E. Caribbean $	4.35
Dominican Republic	Dominican Peso	5.7826
Ecuador	Sucre	(o) 257.55 / (F) 301.29
Egypt	Egyptian £	3.55
El Salvador	Colon	8.0870
Equatorial Guinea	C.F.A. Franc	496.00
Ethiopia	Ethiopian Birr	3.3425
Falkland Islands	Falkland Isles £	1.0
Faroe Islands	Danish Kroner	11.3075
Fiji Islands	Fiji $	2.1088
Finland	Markka	7.2248
France	Franc	9.9200
French C'ty in Africa	C.F.A. Franc	496.00
French Guiana	Local Franc	9.92
French Pacific Islands	C.F.P. Franc	177.00
Gabon	C.F.A. Franc	496.00
Gambia	Dalasi	11.00
Germany (East)	Ostmark	2.98
Germany (West)	Deutsche Mark	2.98

COUNTRY	CURRENCY	VALUE OF £ STERLING
Ghana	Cedi	262.46
Gibraltar	Gibraltar £	1.0
Greece	Drachma	222.95
Greenland	Danish Krone	11.3075
Grenada	E. Caribbean $	4.35
Guadaloupe	Local Franc	9.92
Guam	U.S. $	1.6175
Guatemala	Quetzal	1.6175 / (F) 4.5010
Guinea	Franc	548.42
Guinea-Bissau	Peso	1048.45
Guyana	Guyanese $	14.4650
Haiti	Gourde	8.0875
Honduras	Lempira	3.23
Hong Kong	H.K. $	12.6150
Hungary	Forint	77.3393
Iceland	Icelandic Krona	63.141
India	Indian Rupee	20.80
Indonesia	Rupiah	2659.24
Iran	Rial	117.35
Iraq	Iraqi Dinar	0.5017
Irish Republic	Punt	1.1125
Israel	Shekel	2.58
Italy	Lira	2157.75
Ivory Coast	C.F.A. Franc	496.00
Jamaica	Jamaican Dollar	8.6750
Japan	Yen	244.25
Jordan	Jordanian Dinar	0.5540
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	26.50
Kiribati	Australian $	2.2645
Korea (North)	Won	1.5205
Korea (South)	Won	1303.25
Kuwait	Kuwaiti Dinar	0.4590
Laos	New Kip	56.6125
Lebanon	Lebanese £	286.08
Lesotho	Maluti	3.3293
Liberia	Liberian $	1.6175
Libya	Libyan Dinar	0.4874
Liechtenstein	Swiss Franc	2.4850
Luxembourg	Luxembourg Franc	61.80
Macao	Pataca	12.974
Madeira	Portuguese Escudo	233.63
Malagasy Republic	M.G. Franc	1080.75
Malawi	Kwacha	3.66
Malaysia	Ringgit	4.1020
Maldive Islands	Rufiyaa	11.3225
Mali Republic	C.F.A. Franc	496.00
Malta	Maltese £	0.5680
Martinique	Local Franc	9.92
Mauritania	Ouguiya	120.65
Mauritius	Mauritian Rupee	20.80
Mexico	Mexican Peso	2218.30 / 2197.15
Miquelon	Local Franc	9.92
Monaco	French Franc	9.92
Mongolia	Tugrik	5.4275
Montserrat	E. Caribbean $	4.35
Morocco	Dirham	13.45 (sg)
Mozambique	Metical	325.83
Namibia	S.A. Rand	3.3293
Nauru Islands	Australian $	2.2645
Nepal	Nepalese Rupee	33.87
Netherlands	Guilder	3.3550
Netherland Antilles	Antillian Guilder	2.9115
New Zealand	N.Z. $	2.6745
Nicaragua	Cordoba	3553.10
Niger Republic	C.F.A. Franc	496.00
Nigeria	Naira	6.95
Norway	Norwegian Krone	10.89
Oman Sultanate of	Rial Omani	0.6195
Pakistan	Pakistan Rupee	27.70

COUNTRY	CURRENCY	VALUE OF £ STERLING
Panama	Balboa	1.6175
Papua New Guinea	Kina	1.4642
Paraguay	Guarani	(516.96 (10) / 1270.60
Peru	Inti	(exc(o)25.67 / (F) 51.58 / (Fn) 32.12
Philippines	Philippine Peso	32.80
Pitcairn Islands	£ Sterling / New Zealand $	— / 2.6745
Poland	Zloty	425.00
Portugal	Escudo	233.63
Puerto Rico	U.S. $	1.6175
Qatar	Qatari Ryal	5.8595
Reunion Isle de la	French Franc	9.92
Romania	Leu	(N/C) 16.24
Rwanda	Rwanda Franc	130.05
St. Christopher	E. Caribbean $	4.35
St. Helena	St. Helena £	1.00
St. Lucia	E. Caribbean $	4.35
St. Pierre	Local Franc	9.92
St. Vincent	E. Caribbean $	4.35
Samoa American	U.S. $	1.6175
San Marino	Italian Lira	2157.75
São Tomé & Principe	Dobra	57.45
Saudi Arabia	Saudi Ryal	6.0583
Senegal	C.F.A. Franc	496.00
Seychelles	S. Rupee	9.04
Sierra Leone	Leone	(o) 51.80
Singapore	Singapore $	3.4308
Solomon Islands	Solomon Is. $	3.3046
Somali Republic	Somali Shilling	194.42
South Africa	Rand	(Cm) 3.3293 / (Fn) 5.4238
Spain	Peseta	205.30
Spanish ports in North Africa	Peseta	205.30
Sri Lanka	S.L. Rupee	46.80
Sudan Republic	Sudan £	4.0438
Surinam	S. Guilder	2.8872
Swaziland	Lilangeni	3.3293
Sweden	Swedish Krona	10.3875
Switzerland	Swiss Franc	2.4850
Syria	Syrian £	(o) 6.3487
Taiwan	New Taiwan $	50.08
Tanzania	Tan. Shilling	103.25
Thailand	Baht	41.20
Togo Republic	C.F.A. Franc	496.00
Tonga Islands	Pa'anga	2.2645
Trinidad & Tobago	Trinidad & Tob. $	5.8230
Tunisia	Tunisian Dinar	1.3828 (sg)
Turkey	Turkish Lira	1367.37
Turks & Caicos Islands	U.S. $	1.6175
Tuvalu	Australian $	2.2645
Uganda	Uganda Shilling	95.00
United States	U.S. $	1.6175
Uruguay	Uruguay Peso	360.17
United Arab Emirates	U.A.E. Dirham	5.9338
USSR	Rouble	1.0318
Vanuatu	Vatu	176.50
Vatican	Italian Lira	2157.75
Venezuela	Bolivar	(4) 6.96 / (5) 12.13 / (6) 47.50
Vietnam	Dong	(o) 129.04
Virgin Islands U.S.	U.S. $	1.6175
Western Samoa	Tala	(A) 3.42
Yemen (North)	Ryal	(A) 16.60 (sg)
Yemen (South)	S. Yemen Dinar	0.5533
Yugoslavia	New Y. Dinar	1063.94
Zaire Republic	Zaire	196.28
Zambia	Kwacha	12.20 (17)
Zimbabwe	Zimbabwe $	2.71

‡Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (16) Bolivia, New Currency introduced (Boliviano, worth 1m Pesos) Jan 1 1987. (17) Zambia Kwacha, set at 8 Kwacha to the Dollar, May 5 1987.

Correction for July 6, Malta: 0.5678.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 13 1987					FRIDAY JULY 10 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (95)	146.86	+2.3	134.61	135.87	2.86	143.53	131.84	134.72	146.86	99.92	76.90
Austria (16)	86.66	+0.3	79.43	82.96	2.48	86.40	79.37	82.64	101.62	85.53	86.14
Belgium (48)	125.12	−0.2	114.68	118.33	4.04	125.38	115.17	118.73	126.49	96.19	81.80
Canada (132)	136.29	+0.2	124.92	130.27	2.16	136.03	124.95	130.17	136.49	100.00	97.01
Denmark (39)	115.21	+0.4	105.60	109.53	2.53	114.71	105.37	109.21	124.10	98.18	92.59
France (121)	109.90	+0.2	100.74	105.72	2.67	109.64	100.71	105.72	121.82	98.39	87.15
West Germany (92)	96.68	+0.6	88.62	92.61	2.04	96.14	88.31	92.21	100.33	84.00	82.23
Hong Kong (45)	128.24	+0.2	117.55	128.57	2.81	127.98	117.56	128.29	128.88	96.89	69.84
Ireland (14)	144.32	+2.4	132.28	139.77	3.20	140.97	129.49	136.80	144.32	99.50	91.08
Italy (76)	94.13	−0.6	86.27	93.77	1.93	94.71	87.00	94.57	112.11	94.13	80.85
Japan (458)	134.50	−0.1	123.28	128.33	0.53	134.69	123.73	128.27	161.28	100.00	85.21
Malaysia (36)	185.02	+1.4	169.59	180.91	2.07	182.52	167.66	178.49	185.02	98.24	80.64
Mexico (14)	278.84	+1.6	255.58	417.36	0.72	274.44	252.09	410.33	278.84	99.72	50.06
Netherland (38)	125.97	+0.3	115.47	119.28	3.70	125.64	115.41	119.10	126.69	99.65	90.20
New Zealand (26)	105.38	+1.2	96.59	92.78	3.05	104.13	95.65	92.06	105.38	83.93	71.19
Norway (24)	147.59	+0.3	135.28	134.87	2.02	147.09	135.11	134.56	148.16	100.00	97.00
Singapore (27)	157.91	+0.9	144.74	154.49	1.59	156.58	143.83	153.19	157.91	99.29	78.24
South Africa (61)	168.98	−1.1	154.89	124.19	3.37	170.85	156.94	123.48	186.74	100.00	72.30
Spain (43)	126.04	+0.6	115.52	121.17	3.29	125.30	115.10	120.70	126.09	100.00	82.89
Sweden (33)	118.39	+0.5	108.51	112.56	2.06	117.75	108.16	111.91	124.68	90.85	91.29
Switzerland (53)	98.20	+0.2	90.01	93.52	1.81	98.02	90.04	93.61	104.06	92.01	83.92
United Kingdom (336)	157.80	+0.5	144.64	144.64	3.00	156.96	144.18	144.18	157.80	99.65	96.23
USA (591)	125.62	−0.2	115.14	125.62	2.89	125.90	115.64	125.90	126.68	100.00	99.68
Europe (933)	125.48	+0.4	115.02	118.09	2.75	125.00	114.83	117.87	125.48	99.78	88.78
Pacific Basin (687)	134.74	+0.0	123.50	128.54	0.70	134.77	123.80	128.41	158.77	100.00	84.39
Euro—Pacific (1620)	131.09	+0.1	120.16	124.35	1.48	130.92	120.26	124.18	143.65	100.00	86.13
North America (723)	126.20	−0.2	115.67	125.91	2.85	126.44	116.14	126.16	126.70	100.00	99.54
Europe Ex. UK (597)	105.41	+0.2	96.62	101.43	2.51	105.17	96.61	101.37	107.75	98.02	84.30
Pacific Ex. Japan (229)	137.78	+1.5	126.29	130.84	2.76	135.79	124.74	129.97	137.78	99.92	74.14
World Ex. US (1827)	131.78	+0.1	120.79	124.76	1.53	131.62	120.91	124.58	143.38	100.00	86.33
World Ex. UK (2082)	126.57	−0.1	116.01	123.25	1.93	126.66	116.35	123.29	133.61	100.00	91.12
World Ex. So. Af. (2357)	129.09	+0.0	118.32	125.20	2.03	129.09	118.58	125.20	135.02	100.00	91.67
World Ex. Japan (1960)	126.92	+0.1	116.33	123.70	2.81	126.84	116.51	123.72	126.92	100.00	94.58
The World Index (2418)	129.34	+0.0	118.56	125.23	2.05	129.35	118.82	125.22	135.15	100.00	91.55

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$420	716	31.80	100	43	360	55	$447.50
GOLD C	$440	35	15.20	20	27	—	—	"
GOLD C	$480	—	—	304	12.90	10	19	"
GOLD C	$500	11	1.50	—	—	1	13.50	"
GOLD C	$520	—	—	14	5.50B	—	—	"
GOLD P	$440	420	6	—	—	180	15.50	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	—	—	15	130	6	180	$771
SILVER C	$750	15	80	—	—	—	—	"
SILVER C	$850	—	—	10	60A	—	—	"
SILVER C	$900	—	—	10	50A	—	—	"
		Jul 87		Aug 87		Sep 87		
$/FL. C	FL200	—	—	11	7.40	—	—	FL207.55
$/FL. C	FL205	412	2.90	—	—	—	—	"
$/FL. C	FL210	30	0.20	48	1.10B	39	2.10	"
$/FL. P	FL205	7	0.20	2	1.40B	345	2	"
$/FL. P	FL210	—	—	5	3.60	100	4.70	"
		Dec 87		Mar 88		June 88		
$/FL. C	FL205	21	6	4	7.30	—	—	FL207.55
$/FL. C	FL210	26	3.80	30	5.50	44	6.10	"
$/FL. C	FL235	156	0.40	—	—	—	—	"
$/FL. P	FL195	102	1.30	1	2.95	2	4.90	"
$/FL. P	FL200	101	2.60	—	—	3	6.50	"
$/FL. P	FL205	4	4.80	20	6.60	—	—	"

		July 87 Vol.	July 87 Last	Oct 87 Vol.	Oct 87 Last	Jan 88 Vol.	Jan 88 Last	Stock
ABN C	FL500	9	0.20B	75	8	11	17.50	FL477.50
ABN P	FL480	4	3.80A	11	19.50A	21	24	"
AEGON C	FL95	138	0.70	217	4.70	12	6.80	FL93.80
AEGON P	FL95	117	1.50	61	4.40	13	5.30	"
AHOLD P	FL100	6	0.10	22	2.60	3	4.20	FL105
AHOLD P	FL100	20	0.20	2	3	4.20	—	"
AHOLD P	FL104.60	6	0.10	22	2.60	3	4.20	"
AHOLD P	FL100	20	0.20	2	3	—	—	"
AKZO C	FL170	2206	4.60	3560	13	461	16.60	FL172.80
AKZO P	FL170	240	1.50	645	6.70	121	9.20	"
AMEV C	FL65	5	0.20	185	2.50	18	4.50	FL61.80
AMEV P	FL60	—	—	66	2.30	124	3.50	"
AMRO C	FL75	90	1.10	26	4.10	3	6	FL76.20
AMRO P	FL70	—	—	7	1.40A	45	2.10	"
ELSVIER C	FL60	25	0.40	655	2.60	75	4.50	FL56.80
ELSVIER P	FL52	—	—	273	1.90	—	—	"
GIST-BROC. C	FL50	7	0.10	195	2.40	81	3.20	FL47.50
GIST-BROC. P	FL45	23	0.20	50	2	9	2.50	"
HEINEKEN C	FL190	51	0.10	256	5.60	87	8.40	FL182.50
HEINEKEN P	FL180	30	0.50	16	4.70	—	—	"
HOOGOVENS C	FL45	165	2.50	399	5.30	170	6.80	FL47.30
HOOGOVENS P	FL50	—	—	103	4.60	10	6	"
KLM C	FL55	142	0.30	1227	2.20	230	3.80	FL53.30
KLM P	FL55	47	2	263	4.30	21	5	"
NEDLLOYD C	FL140	264	3.50A	48	9.50	2	13.50	FL140.50
NEDLLOYD P	FL140	68	1.80	114	7	6	10	"
NAT.NED. C	FL75	50	0.10	312	2.80	22	5	FL72.60
NAT.NED. P	FL70	6	0.60	198	2.40	—	—.60	"
PHILIPS C	FL55	5431	0.60	4486	3.10A	537	4.30A	FL54
PHILIPS P	FL55	377	1.50	1291	3.30	85	4.20	"
ROYAL DUTCH C	FL300	—	—	396	5.60	162	9.90	FL286.10
ROYAL DUTCH P	FL280	164	0.60	311	7.50	78	8.80	"
ROBECO C	FL110	—	—	10	1.50	—	—	FL107
UNILEVER C	FL140	2388	0.90	1198	6.30	35	9.20	FL138.70
UNILEVER P	FL140	65	1.50	322	5.70	—	—.20	"

TOTAL VOLUME IN CONTRACTS: 81,076

A=Ask B=Bid C=Call P=Put

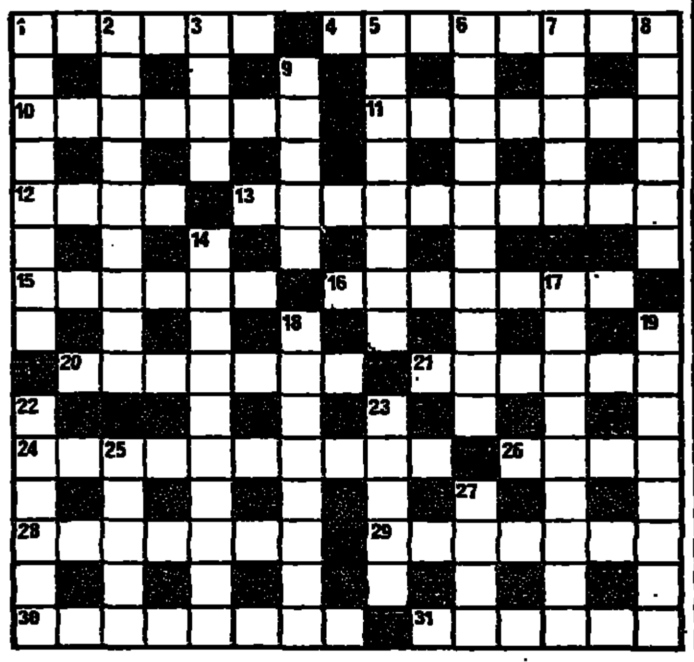
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Willson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,377

DANTE



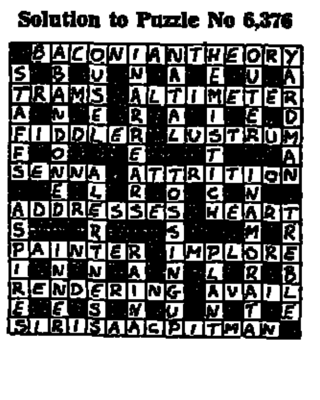
ACROSS

1 These clues may be ancient (6)
4 Light upon a record surplus (8)
10 Important individual rendered powerless (7)
11 Lady's admitted on backing of church council (7)
12 An impression of a jumble sale (4)
13 Constituent parts of cattle-food (5, 5)
15 One-eyed kind of craft? (6)
16 Refuse to go through all the cases (7)
20 It's hard to be the first man to take on a worker (7)
21 Aim of many a church (6)
24 Arranged to dine with Greene (10)
26 An overcrowded children's home (4)
28 Music masters? (7)
29 Entitle one to debts not settled (7)
30 New rate certain for wealth (8)
31 Thinks a great deal of modern raw raw materials (6)

DOWN

1 Where the Pirates of Penzance come ashore with despatch (5, 3)
2 Gateshead doctor prospers (4, 5)
3 The appropriate jug for punch? (4)
5 Maintained unusual tidiness (8)
6 Take to heart? (10)
7 Provide one part of a television (5)
8 Very much like sauce (6)
9 Times when rays may be seen around the East (5)
14 Gets rid of in sale time perhaps (10)
17 Hour being struck for close acquaintance (9)
18 It's not so good, being a subordinate (8)
19 What backers of horses must expect? (8)
22 Let pass (6)
23 Highly intoxicating (5)
25 Does it soil the cloth? (5)
27 Sailor boy in his hammock (4)

Solution to Puzzle No 6,376



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.5	117.9	+0.4	0.71
(Accum Units)	116.8	123.5	+0.4	0.71
British Blue Chip Fund	54.2	57.3	..	2.36
(Accum Units)	54.2	57.3	..	2.36
American Sm Cos Fd	52.5	55.5	+0.1	0.45
(Accum Units)	52.5	55.5	+0.1	0.45
American Income	51.6	54.6	+0.2	3.64
(Accum Units)	56.3	59.5	+0.1	3.64
European Growth	146.6	155.1	+0.2	1.26
(Accum Units)	151.7	160.5	+0.2	1.26
European Income	80.8	85.5xd	+0.1	3.90
(Accum Units)	84.7	89.6xd	+0.1	3.90
General	394.5	417.2	+5.7	2.46
(Accum Units)	654.8	692.9	+9.4	2.46
Gilt	88.6	89.2xd	+0.0	8.00
(Accum Units)	105.7	106.2xd	+0.1	8.00
Global Fund	50.4	53.3	—	0.72
(Accum Units)	50.4	53.3	—	0.72
High Interest Fund	47.6	50.3xd	—	8.95
(Accum Units)	48.0	50.7xd	—	8.95
High Income Fund	54.9	58.0	—	4.55
(Accum Units)	55.3	58.5	—	4.55
Income	129.1	136.6xd	+1.6	2.92
(Accum Units)	148.0	156.6xd	+1.9	2.92
International	295.6	312.7xd	+0.4	1.38
(Accum Units)	569.8	591.5xd	+0.5	1.38
Japan	200.8	212.4	+0.3	0.78
(Accum Units)	206.1	218.0	+0.3	0.78
Pacific Fd	56.3	59.5xd	+0.6	0.10
(Accum Units)	56.3	59.5xd	+0.6	0.10
Recovery	325.8	344.7	+5.3	1.54
(Accum Units)	354.2	374.8	+5.8	1.54
UK Smaller Co's Fd	55.1	58.3	—	1.72
(Accum Units)	55.1	58.3	—	1.72
Exempt May 27	367.2	376.6	+22.3	3.08
(Accum Units)	575.2	592.9	+33.5	3.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	80.9	85.6	+0.6	0.36
Holborn Equity Income	75.4	79.7	+0.9	9.27
Holborn Equity Tst	438.6	464.9	+7.1	2.96
Holborn European Tst	117.4	124.2xd	-0.1	0.67
Holborn Gilt Tst	215.8	225.0	+0.4	2.12
Holborn High Inc Tst	90.9	96.1xd	+1.2	4.49
Holborn Intl Grth Tst	120.0	126.9xd	+0.5	0.49
Holborn Japanese Tst	125.6	132.9	—	0.06
Holborn N. Amer. Tst	93.9	99.3	+0.1	0.49
Holborn Sm Cos Tst	81.8	86.5	+0.5	1.34
Holborn Spec Sits Tst	106.7	112.9xd	+1.7	1.29
Holborn UK Growth Tst	122.8	129.9	+1.4	2.44

Britannia Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.5	732.9	—	1.34
Quadrant Income	339.8	354.6xd	—	4.00
Quadrant Intl. Fund	451.2	477.5	+3.7	1.04
Quadrant Spec. Sits	463.3	490.3	—	1.34

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	250.0	264.8	+1.0	2.13
Reliance Unit Tst (Inc)	173.6	184.4	+0.5	1.75
Reliance UK Tst (Acc)	233.6	248.4	+0.6	1.75

Ransburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.7	52.3	+0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-626 4356

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way Stevenage 0438 356101

Managed	453.6	477.5		—
Property	280.3	295.1		—
Equity	584.7	615.5		—
Gilt Edged	368.0	387.4		—
Deposit	204.3	215.1		—
Investment	250.0	262.5		—
International	418.3	440.3		—

Pension Fund Prices

Managed Init.	332.6	—	—
Do Accum.	406.8	—	—
Property Init.	242.8	—	—
Do Accum.	296.9	—	—
Equity Init.	447.1	—	—
Do. Accum.	546.0	—	—
Gilt-Edged Init.	235.5	—	—
Do. Accum.	288.0	—	—
Guaranteed Init.	157.7	—	—
Do. Accum.	193.0	—	—
International Init.	500.8	—	—
Do. Accum.	611.9	—	—
Index Lk. Gilt Init.	136.7	—	—
Do. Accum.	167.1	—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.5	+0.1	—
Property Pens.	397.9	+0.1	—
Equity	209.5	+1.2	—
Equity Pens.	454.2	+7.2	—
Money Market	314.7	+0.5	—
Money Mkt. Pens.	364.1	+1.0	—
Deposit	236.5	+0.0	—
Deposit Pens.	376.3	+0.1	—
Managed	303.3	+1.0	—
Managed Pens.	587.3	+2.5	—
Intl. Equity	348.7	+1.1	—
Do. Pens.	562.7	+2.4	—
Intl. Managed	322.7	+1.3	—
Do. Pens.	479.2	+2.5	—
North American	132.0	+0.3	—
Do. Pens.	151.2	+0.4	—
Far East	286.0	+2.8	—
Do. Pens.	417.0	+4.2	—

National Provident Inst.—Contd.

Far East Initial	474.4	499.4	+1.2	—
Far East	566.9	596.8	+1.6	—
Prop Initial	139.9	147.3	+0.4	—
Prop	167.3	176.2	+0.5	—
Fixed Int. Initial	190.4	200.5	+0.4	—
Fixed Int	227.6	239.6	+0.5	—
Indexed Gilt Initial	104.0	109.5	.....	—
Indexed Gilt	123.1	129.6	.....	—
Deposit Initial	134.5	141.6	+0.1	—
Deposit	162.3	170.9	+0.1	—

NPI Pensions Management Ltd

Managed Fund	952.2	969.2	.....	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	58.5	61.6	+0.3	—
Stock Market Mngd Fund	60.2	63.4	+0.3	—
Equity Fund	67.3	70.9	+0.6	—
International Fund	53.9	56.8	+0.1	—
European Fund	57.1	60.2	-0.1	—
North American Fund	50.6	53.3	+0.1	—
Pacific Fund	62.0	65.3	-0.1	—
Property Fund	50.7	53.4	.....	—
Fixed Interest Funds	50.6	53.3	+0.1	—
Index linked Sec Fund	46.0	48.5	.....	—
Deposit Fund	50.8	53.5	.....	—

NUAM Retirement Plans

Mixed Fund	63.0	66.4	+0.6	—
UK Ordinary Share	77.7	81.8	+1.1	—
International Fund	55.5	58.5	+0.4	—
Property Fund	51.6	54.4	.....	—
Fixed Interest Fund	52.2	55.0	.....	—
Index Linked Sec Fund	46.1	48.6	-0.1	—
Deposit Fund	52.6	55.4	.....	—

NUAM (MF)

Managed Fund	802.1	844.4	+4.2	—
Equity Fund	1799.8	1894.6	+16.6	—
Property Fund	315.4	332.0	+0.1	—
Fixed Interest Fund	372.8	392.5	+1.2	—
Deposit Fund	207.1	218.0	.....	—
International Fund	139.9	147.3	+0.2	—
Index Linked Sec Fund	46.1	48.6	.....	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101	100	Treas. 12pc 1987	100	.....	11.91	9.01
99	97	Treas 7¾pc 1985-88‡‡	99	+	7.77	8.20
102	99	Exch 10½pc '88	101	+	10.39	9.06
101	98	Treas 9¾pc Cv '88	100	+	9.69	9.05
96	93	Transport 3pc '78-88	96	-	3.10	6.77
101	98	Treas. 9½pc '88	100	+	9.46	9.05
105	101	Treas 11½pc 1989	103	+	11.11	9.06
102	97	Treas 9½pc Cnv 1989	100	+	9.44	9.04
94	89	Treas 3pc 1989	94	-	3.19	6.51
104	99	Treas 10½pc 1989	102	+	10.25	9.06
103	98	Exch 10pc 1989	101	+	9.84	9.09
105	100	Exch 11pc 1989	103	+	10.61	9.10
95	89	Treas 5pc 1986-89	94	+	5.27	7.48
108	100	Exch 10¼pcCv '89	104	+	9.77	7.86
111	105	Treas 13pc 1990‡‡	108	+	11.97	9.04
106	100	Exch 11pc 1990‡‡	104	+	10.54	9.06
110	104	Exch. 12¼pc 1990	107	+	11.99	9.10
91	84	Treas. 3pc 1990	91	-	3.30	6.54
100	93	Treas 8¼pc 1987-90‡‡	98	-	8.34	8.68
105	97	Treas. 10pcCv 1990	102	+	9.76	9.11
89	81	Exch 2½pc 1990	88	-	2.83	6.39
110	103	Treas 11¾pc 1991	107	+	10.91	9.11
95	87	Funding 5¾pc '87-91‡‡	93	-	6.17	7.86
89	80	Treas. 3pc 1991	87	-	3.42	6.65
110	100	Treas 10pc Cv '91 ‡‡	105	+	9.44	8.22
109	101	Exch. 11pc 1991	106	+	10.32	9.09
116	108	Treas 12¾pc 1992‡‡	113	+	11.25	9.06
106	97	Treas 10pc 1992	103	+	9.67	9.08
99	95	Treas. 8pc 1992 ‡‡	96	+	8.15	8.47
108	99	Treas 10¼pc Cv 1992‡‡	105	+	9.96	9.06
		Treasury 3pc 1992 ●	85	.....	3.51	6.49

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅞	22⅞	Sara Lee $1	28½xd	+½	$1.00	—	2.2
11⅛	8⅞	Saul (B. F.) $1	10¼xd	+⅛	20c	—	1.1
26¼	19⅞	Southwestern Bell $1	23¼xd	+⅛	h$2.32	—	6.2
18⅛	14¼	Staley Continental	17¼	–⅛	80c	—	2.8
44⅞	36⅛	Sun Co. Inc. $1	42⅛xd	+¼	$3.00	—	4.4
37	28½	TRW Inc. $1¼	33⅛	+½	h$1.60	—	3.0
32	25⅞	Tenneco $5	31⅞	+⅞	$3.04	—	5.8
187½	149½	Do. 10pcLn.Stk. 91-5	187½xd	.....	10%	—	15.5
28⅞	17⅞	Texaco $6.25	27⅞xd	–⅛	$3.00	—	6.6
62	47⅛	Time Inc. $1	62	.....	$1.00	—	1.0
14½	11	Tracor $0.33	12½	.....	40c	—	2.0
26⅞	18⅞	Transamerica $1	26½xd	+⅛	$1.76	—	4.1
12⅛	922p	Transworld Corp $5	11⅞	.....	20c	—	1.0
46	29⅞	TRINOVA Corp.	45⅛	+1⅛	h$1.00	—	1.4
22⅞	15⅞	♥USX $1	22⅞	+⅞	$1.20	—	3.3
19⅞	15⅞	Union Carbide $1	19	+½	$1.50	—	4.8
35⅞	26⅞	Utd. Technologies	33⅞	+⅞	$1.40	—	2.6
38⅞	27	US West‖	31⅞	–½	$3.28	—	6.3
25	17⅛	Waste Management $1	26	+⅛	—	—	—
£22¼	£20½	Whirlpool $1.0	£22½	+⅛	—	—	—
35⅞	26	♥Woolworth $3½	33¼	+⅞	$1.32	—	2.4

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbott Energy Corp.	21p	.....	—	—	—
12⅞	506p	♥Amer. Barrick Res.	11½xd	.....	—	—	—
122p	52p	Arcenco	77p	–1	—	—	—
19⅞	14⅞	Bk. Montreal ‖	16¼	–⅛	$2.00	—	5.7
10½	745p	Bk. Nova Scot.‖	863pxd	–1	72c	—	3.8
20⅞	18	BCE ‖	19¾	+⅛	$2.40	—	5.6
987p	712p	♥Bow Valley‖	986p	–1	40c	—	1.9
19¼	12⅞	♥Brascan‖	18½	.....	88c	—	2.2
609p	277p	♥Breakwater Res.	416p	+16	—	—	—
11⅛	894p	Can. Imp. Bk. $2	10⅝xd	.....	$1.08	—	4.7
13⅞	865p	Can. Pacific ‖	12⅞xd	–⅛	48c	—	1.7
42½	37½	Do. 4pc Deb £100	41½	.....	4%	—	9.6
13¼	756p	♥Echo Bay Mines	12½	.....	20c	—	0.7
181p	66p	Euro-Asia Capital Ltd.	176p	.....	—	—	—
733p	283p	Galactic Resources	512p	.....	—	—	—
69p	32p	Global Data Systems	49p	.....	—	—	—
873p	399p	♥Granges Expln‖	686p	+33	—	—	—
18½p	10p	♥Gt Pacific Res.	16½p	.....	—	—	—
14⅞	781p	♥Gulf Canada‖	14	.....	52c	—	1.7
13⅞	10	♥Hawker Sid Can‖	12¼	–⅛	96c	—	3.5
740p	460p	Henlys Group	586p	–26	—	—	—
14½	10⅞	Hudson's Bay ‖	11¼xd	+⅛	60c	—	2.5
36	24⅞	♥Imperial Oil‖	35⅞	–¼	s$1.60	—	2.1
12	752p	Inco‖	11½xd	–⅛	US$0.20	—	1.0
25⅞	14⅛	♥Intl. Corona Res.	19	.....	—	—	—
695p	575p	♥Inland Nat. Gas $1	680p	+9	60c	—	4.1
10⅛	385p	♥Lacana Mining Corp ‖	844p	–2	Q15c	—	0.8
363p	158p	♥Muscocho Expln.	264p	+5	—	—	—
10	748p	♥Nml Business Syst.‖	892p	–13	—	—	—
623p	338p	Nevada Goldfields	516p	–7	—	—	—
12	927p	♥Rio Algom	10⅞	–⅛	$1.30	—	5.5
19⅞	14¼	Royal Bk. Can. ‖	16⅞	.....	$2.00	—	5.5
385p	135p	♥Royex Gold Mining ‖	293p	–8	—	—	—
49½	40⅛	Seagram‖	49	–¼	US$1.00	—	1.3
15	11½	Toronto-Dom. Bk.‖	15	.....	84c	—	2.6
228p	19p	♥Trans Atlantic Res ‖	94p	+5	—	—	—
10⅛	789p	♥Trans Can Pipe	886p	+5	$1.72	—	5.8
184p	124p	Varity Corp‖	143p	+2	B	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
194	146	ANZ $A1	191	+1	b020.7c	2.4	4.9	8.5
*273	230	Allied Irish	260	+2	Q61.6%	2.8	5.4	9.0
£164	£135½	Algemene FL100	£142¼	–½	n027%	2.1	5.8	8.1
*67	53	Anglo Irish	65xd	+5	Q19.69%	1.4	6.8	16.6
102	84	Ansbacher (H.) 1p	102	+1½	2.0	—	2.7	—
£40½	£24¼	Banco de Bilbao S.A.	£33¼	.....	038%	3.0	2.8	18.7
£30⅞	£23½	Banco de Santander	£30⅞	+⅞	023.2%	♦	1.4	♦
*245	176	Bank Ireland Ir£1	243	+3	Q15.93%	2.9	6.0	8.4
£14	£11½	Bank Leumi	£14	.....	—	—	—	—
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelson Group 10p	475	−10	3.5	2.7	1.0	51.1
35	28	Aberdeen Am Pet 10p	33	+2	—	—	—	—
125	110	Allied Ins. Brokers	120	....	L3.5	2.5	4.1	13.9
83	78	Amercoeur Energy 10p	83	....	—	—	—	—
15½	9	Ardmore Pet. 'A'	12	....	—	—	—	—
82	45	Catalyst Comms. 5p	82	+6	—	—	—	34.1
200	168	Chelsea Artisans 5p	173	....	—	—	—	23.2
180	155	Comac Group 5p			—	—	—	—
151	47	Corton Beach 10p	143	−3	0.4	◆	0.4	◆
200	150	Crown Eyeglass 5p	185	....	—	—	—	—
285	102	Edenspring Investment	285	....		—	—	—
*62	18	Eglinton Oil Ir.5p	27	+2	—	—	—	—
41	17	Do. Warrants	19		—	—	—	—
80	17	Publishing Hldgs.5p	71	+4	—	—	—	41.1
87	45½	Theme Holdings	85	....	1.0	◆	1.6	◆
140	111	Unit Group	140ф	....	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	....	Fin. 13% 97/02	£110¾	....
Craig & Rose £1	£20	+1¼	Arnotts	355	....
Finlay Pkg. 5p	127	....	CPI Hldgs	58	....
Holt (Jos) 25p	995	+15	Carrol Inds.	183	....
IoM Stm. £1	128	....	Dublin Gas	18	....
			Hall (R. & H.)	118	....
IRISH			Helton Hldgs.	40	+2
Fund 11¼% 1988	£100⅝	+⅛	Irish Ropes	190	....
Nat. 9¾% 84/89	£98½	....	Unidare	440	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

Equities below best after early burst of strength

Government bonds quietly firm

The rapid advance in the UK equity market over the past fortnight failed to deter investors as the new trading Account got underway yesterday. Once again, the main market indices finished at new peaks, although closing levels were well below the best. Government bonds, however, remained a relative backwater.

The FT-SE 100 share index ended a net 4.6 higher at a record 2386.6, after touching 2402.8; the FT Ordinary share index closed 9 points up 1877.8

Speculative activity was again one of the main features of the day's trading, but Mercantile House, the financial services group, provided an early shock to the market, with the shares slumping to 410p before closing a net 54 down on balance 436p following a statement to the effect that bid talks had proved abortive.

The possible suitor, although unnamed was widely regarded to have been Mr John Gunn's British and Commonwealth. Almost immediately, the City was casting its net for other bidders.

In contrast, the Union Bank of Switzerland's bid approach to Hill Samuel continued to fuel demand for other possible takeover candidates in the Merchant Banking sector.

Sears attracted yet another lively turnover—around 16m shares changed hands—and closed 6 higher at 180½p in the wake of confirmation of recent widespread rumours that Mr Robert Holmes à Court's Bell group had acquired a stake in the company.

Bell revealed purchases accounting for just over 4 per cent of Sears equity and also holds another 1.3 per cent in the form of put traded options.

Activity in international stocks was mainly confined to the early dealings when overseas demand was reported for Glaxo and ICI.

Building issues continued to move ahead strongly, while companies mentioned in the week end Press recorded some above average gains.

Government bonds ended the day on a quietly firm note. A shade easier initially, long dated issues began to move higher as domestic buyers responded to a slightly better trend in sterling.

Some traders had been looking for the announcement of a new long taplet. However, the absence of any further funding after the official close kept the market ticking over at the higher levels.

The merchant banking sector continued to make rapid progress on strong buying interest triggered by the widespread Press comment on the major developments in the sector last week. Hill Samuel, currently involved in bid discussions with Union Bank of Switzerland, moved above the 700p mark and touched a record 701p before easing late in the session to close a net 8 higher at 698p. Morgan Grenfell, a strong market at the back end of last week, spurted a further 30 to 480p following a report that America's Shearson Lehman had built up a near 5 per cent stake in the company. Mercury International advanced 21 to a record 524p, while Schroders moved up ½ to £14½.

Provident Financial attracted speculative interest and moved up 18 to 408p while Goode Durrant jumped 24 to 270p following the better than expected interim results.

The big four clearing banks made limited progress with dealers reporting a much reduced turnover after the substantial business triggered the previous week by Midland's moves to provide for its third world debt. NatWest edged up 4 to 732p, Lloyds 5 to 398p and Midland 3 to 638p.

Irish banks gained ground led by Anglo Irish which put on 5 to 65p. Insurance brokers spearheaded a firm insurances sector. Bid speculation lifted Hogg Robinson 37 to 577p, CE Heath 25 to 513p and Sedgwick a shade up at 325p.

A poor market on Friday on the disappointing new business figures Legal & General rallied before closing at 356p; BZW says that the shares are underpinned at the current level by the yield. Pearl rallied in sympathy and put on 12 to 399p. Bear closing lifted composites where Royals jumped 13 to 548p ahead of figures exepected next month.

Economic Forestry Group staged a successful debut in the Unlisted Securities Market, the share opened at 120p and closing at 118p compared with placing price of 100p.

Selective demand persisted for leading Buildings, Blue Circle rising a further 12 to 541p and Rugby Portland Cement picking up 9½ at 292½p. RMC were 18 to the good at 543p, while Tarmac, boosted by talk of a broker's profits upgrading, gained 16 to 342p. BPB Industries firmed 10 to 842p, while housebuilders Barratt Developments gained 11 to 242p. Secondary issues showed Howard Shuttering 7 up at 140p following favourable Press comment and Baldwin 35 higher at 265p in a restricted market reflecting takeover speculation. Newspaper mention lifted Polypipe 13 to 376p, while buying in a restricted market left Bellway 14 up at 298p.

In the Chemical sector, revived takeover speculation prompted gains of 10 and 4½ respectively in Foseco, 317p, and Croda International, 249½p. Sutcliffe Speakman put on 2 to 140p while Ellis and Everard rose 18 to 373p in response to the excellent preliminary figures and proposed one-for-two scrip issue. Holt Lloyd jumped 26 to 184p following the agreed bid from Morgan Crucible.

Stores began the new Account in encouraging mood. The news relating to current bid favourite Sears certainly helped sentiment in the sector with useful rises established by Woolworth, 428p, GUS A, £14⅞, and Next, 357p, the last-mentioned following the acquisition of Dillons Group, a 270-strong retail chain, from Yattendon Investment Trust for £28.5m. Elsewhere, lively conditions prevailed in Martin Ford, finally 29 to the good at 223p, after 243p; rumours were circulating that the shares, buoyant since the takeover by the consortium headed by Mr Irving Sellars, are about to be suspended prior to being requoted as a property company. Amber Day, also the subject of interest from the same consortium, hardened 1 to 97p, with John Kent, in which Amber Day holds a near-24 per cent stake, rising 8 to 123p. Blacks Leisure advanced 4½ more to 50¾p in further consideration of the stake recently taken by Heron International. Buyers also came in for S & U Stores, 14 up at 161p and for Ellis and Goldstein, 10 to the good at 112½p. Press comment lifted European Home Products 15 to 341p, and A. G. Stanley 18 to 169p, while a newsletter tip prompted demand for Alexon, 15 firmer at 401p.

Traders reported a quieter day in Electricals. GEC put on 4 to 231p amid talk of good buying from Continental sources. Cable & Wireless edged up 3½ to 412p on talk of imminent news regarding the group's intended moves in Japanese telecommunications. Crystalate jumped 12 to 293p in response to favourable Press comment, as did Molynx, 23 higher at 190p.

Eurotherm were 11 up at 504p ahead of results due later this week while Quest put on 7 to 199p in response to the annual results and scrip issue.

Among numerous firm features in engineering issues Babcock International jumped 17 to 267p. CH Bailey rose 7 to 42p following another sizeable put-through late on Friday; Bristol Channel Shiprepairers moved up 4 to 26¾p in sympathy. The interim results, acquisition news and proposed one-ofr-one rights issues to raise £3.7m left F. S. Ratcliffe unaltered at 150p. News of the purchase by Charterhouse Bank of a 17.7 per cent stake from GH Firth left Porter Chadburn 10 off at 455p.

The Food sector was featured by recently-neglected Unigate which revived strongly with a gain of 13 at 413p. Northern Foods firmed 6 to 322p xd helped by Press comment. On the other hand, Dee Corporation shed 8 to 242p owing to a lack of support, while Argyll slipped 4 to 471p. ASDA-MFI, Friday's star performer on the proposed sale of MFI, softened 1½ to 219½p. Elsewhere, Hillsdown attracted a lively two-way trade and closed 2 better at 321p. Hazlewood were 7 up at 313p, while Park Food rose 10 to 288p ahead of Friday's preliminary figures.

Among Hotels Ladbroke picked up 8 at 460p helped by Press mention. Trusthouse Forte hardened 2 to 277p; the Kuwait Investment Office has reduced its holding to 4.99 per cent.

BTR, supported late last week in both the underlying and traded option markets, put on another firm showing and advaced 10 more to 354p; news of the £1bn financing package arranged via Bankers Trust stimulated fresh thoughts that the group is set to return to the acquisition trail. Likely candidate included Lucas Industries, 15 up at 786p. Elsewhere in miscellaneous industrials, substantial early interest was shown for Rank Organisation which advanced 20 to 821p, reflecting enthusiasm ahead of Thursday's half-timer; BZW are anticipating pre-tax profits in the region of £85m.

Favourable comment induced support for Cape Industries, 14 up at 151p. Cannon Street, 23 better at 408p and Williams Holdings, 16 dearer at 918p. Kleen-E-Ze were marked 20 higher to 555p in response to the preliminary figures, while property development prospects lifted Lep Group another 10 to 239p.

Motor Distributors attracted revived speculative demand on the prospect of further rationalisation within the sector. T. Cowie, supported recently in the wake of the tie-up with Mr Gerald Ronson's Heron, put on 17 more to 870p with the City awaiting further expansion moves. Trimoco, where Cowie controls around 10 per cent of the equity, moved up 8 to 70p as a favourable Press reinforced chatter of an imminent full-scale offer.

The Property leaders made fresh headway reflecting sporadic buying interest before drifting back to close a few pence below the best. Land Securities touched 562p at one stage before settling 4 dearer on balance at 560p. MEPC were a shade cheaper at 548p, but Slough Estates firmed 4 to 299p, after 300p, and Hammerson A hardened 7 to 650p. Elsewhere, Southend Stadium gained ⅛ to £10¼ following property acquisition news, while Fairbriar put on 29 to 320p on details of planning permission being granted for developments at Thames Ditton and Epsom. Demand ahead of tomorrow's annual results boosted Tops Estates, 55 to 815p, while Press comment stimulated Control Securities which touched 79p prior to closing 5 higher at 74p. Estate agents Hanover Druce gained 45 to 470p; the directors have stated that they are not aware of any reason for the sudden increase in the share price.

Courtaulds attracted widespread support and put on 21½ to 521p as encouraging notices began to filter through from meetings held recently by the group with institutions and City analysts. Sekers Internationals rose 11 to 196p reflecting interest ahead of today's preliminary results.

Leading oil shares took a breather after the strong gains of recent days, but a further rise in crude oil prices in response to the deteriorating situation in the Gulf gave renewed impetus to second line oils.

In the top quality issues BP dipped 7 to 401p on a turnover of more than 8m shares while Shell gave up ⅛ to £14⅛. British Gas held around 192½p, with around 14m shares changing hands. Enterprise Oil remained very much to the fore and edged up 2¼ to 347p; shareholder LASMO advanced 8½ to 361p. Burmah, in the wake of a re-rating of the chemicals interests, jumped 11 to 613p. Of the more speculative oils Goal were outstanding and put on 10 to 113½p amid talk of an imminent acquisition, while the better than expected results announced last week and a buy recommendation from broker CIBC—formerly broker Grenfell & Colegrave—saw KCA soar 14 to 37p, after 41p. Press comment lifted Floyd Oil 14 to 81p.

Traded Options

Increased activity in traded options resulted in 50,984 contracts struck with business relatively well-spread throughout the list. Sears were lively on the Holmes a Court statement and attracted 3,840 calls, 1,433 in the December 180's, and 2,345 puts, of which 1,237 were struck in the ever-popular September 180's. Hanson Trust recorded 3,888 calls, the September 165's and 180's contributing 838 trades respectively, and 1,651 puts. British Airways were also in demand with 3,350 calls and 2,288 puts transacted.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Y. J. Lovell, Edmonds Holdings, Eagle Trust, Inoco, Petranol, S. W. Wood, Dares Estates, Cameron Bros., Blacks Leisure, Central and Sheerwood, Bula Resources, Bejam, J. I. Israel, Hawley Group, Rotaprint, Property Trust, Hawker Siddeley, Morgan Crucible, Anglo Nordic, Charles Barker, Kalon, Floyd Oil, Amstrad, Abaco, Burns Anderson, Hyman, Horace Cory, Martin Ford, WA Holdings, Wheway, Benjamin Priest, Fobel and Chloride. A put was arranged in Inoco, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	July 13	July 10	July 9	July 8	July 7	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.74	90.55	90.89	90.72	90.66	88.92	93.32 (8/5)	84.69 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.29	97.90	97.96	97.26	97.25	96.15	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1877.8	1868.8	1846.1	1827.2	1836.7	1309.9	1,877.8 (13/7)	1,320.2 (2/1)	1,877.8 (13/7/87)	49.4 (26/6/40)
Gold Mines	405.2	407.4	402.1	391.8	386.8	196.4	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.08	3.09	3.12	3.13	3.12	4.22				
Earnings Yld.%(full)	7.46	7.49	7.54	7.52	7.52	10.16				
P/E Ratio (net) (*)	16.47	16.42	16.30	16.40	16.41	11.97				
SEAQ Bargains (5 pm)	62,414	64,970	52,475	51,118	56,094	—				
Equity Turnover (£m)	—	2104.32	1915.62	1,909.34	1749.32	630.81				
Equity Bargains	—	70,750	62,789	64,718	66,294	24,097				
Shares Traded (ml)	—	913.8	997.3	879.4	753.7	247.3				

S.E. ACTIVITY

Indices	July 10	July 9
Gilt Edged Bargains	112.0	110.1
Equity Bargains	458.4	406.8
Equity Value	4253.4	3872.0
5-Day Average		
Gilt Edged Bargains	119.0	115.6
Equity Bargains	417.0	398.6
Equity Value	3677.9	3519.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1873.6	1877.3	1885.7	1887.7	1885.9	1887.1	1884.7	1883.0

Day's High 1891.9 Day's Low 1873.6. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.16.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (446)

AMERICANS (9), BANKS (13), BREWERS (4), BUILDINGS (39), CHEMICALS (17), STORES (18), ELECTRICALS (29), ENGINEERING (21), FOODS (12), HOTELS (4), INDUSTRIALS (80), INSURANCE (2), LEISURE (10), MOTORS (14), NEWSPAPERS (4), PAPERS (13), PROPERTY (25), SHIPPING (5), SHOES (3), TEXTILES (14), TRUSTS (89), OILS (9), OVERSEAS TRADERS (5), PLANTATIONS (3), MINES (3), THIRD MARKET (1).

NEW LOWS (5)

LOANS (1), N'wide 8⅞pc 20.6.88, AMERICANS (1), CityFed Fin. Corp., BANKS (1), MCorp, INDUSTRIALS (1), Smith Doctus, TRUSTS (1), Biotechnology Invs.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	9,400	219½	-1½	Jaguar	1,650	560	-4
Allied Lyons	422	456	-3	Ladbroke	2,100	457	+5
Amstrad	2,300	175	-1	Land Securities	1,100	560	+4
Argyll Group	991	471	-4	Legal & Gen.	2,900	356	+2
Assoc. Brit. Foods	470	408	+2	Lloyds Bank	1,000	398	+5
BAT	2,200	657	+1	Lonrho	601	284½	-1½
BET	1,400	297	+4	MEPC	635	548	-2
BOC	409	524	-2	Marks & Spencer	3,650	266	+3
BPB Inds	407	842xd	+10	Midland Bank	747	638	+3
BPCC	4,100	317	-8	NatWest Bank	1,500	732	+4
BTR	6,700	354	+10	Next	1,900	357	+5
Barclays	603	613	—	Pearson	369	747	+2
Bass	286	£10½	—	P & O	1,300	735	+5
Beecham	4,200	556	+1	Pilkington Bros	275	£10⅝	—
Blue Circle	1,800	541	+12	Plessey	3,300	225	-9
Boots	4,900	318	+8	Prudential	425	£10⅝	-⅛
Brit. Airways	13,000	163	-8	Racal	2,900	274	-3
Brit. Aero	756	547	-2	Rank Org	625	821	+20
Brit. & Comm.	486	532	+13	RHM	1,300	335	-1
British Gas	17,800	193	+½	Reckitt & Col	73	£12⅛	+⅛
Britoil	2,700	351½	—	Redland	210	561	-5
BP	8,200	401	-7	Reed Intl.	1,000	534	-6
Brit. Telecom	5,000	286	+½	Reuters	394	869	-3
Bunzl	467	258	+1	RMC	583	543	+18
Burton	1,600	330	+3	RTZ	781	£11⅞	-⅛
Cable & Wire	2,200	412xd	+3½	Rolls-Royce	3,500	121	-3
Cadbury Schwps	1,200	268	-1	Rowntree	208	570	+1
Coats Viyella	1,400	361	+19	Ryl Bank Scotland	538	391	+3
Comm. Union	1,300	378	+5	Royal Insurance	1,600	548	+13
Cons. Gold	184	£11½	—	STC	2,200	317	-1
Cookson	108	773	+1	Saatchi & Saatchi	502	677	+3
Courtaulds	1,500	521	+21½	Sainsbury	241	286	+1
Dee Corpn	1,200	242	-8	Scott & Newcastle	2,100	257	-2
Dixons Group	4,200	377	+4	Sears	12,850	180½	+6
English China Clays	876	533	+8	Sedgwick	1,800	325	+1
Fisons	1,300	398	-4	Shell Trans	3,100	14⅛	-⅛
Gen. Accident	282	£11⅛	+⅛	Smith & Nephew	1,800	187½	+1
Gen. Elect	11,000	231	+4	Standard Chart	1,500	798	+5
Glaxo	354	£17½	-⅛	Storehouse	2,100	302	-3
Globe Investment	134	189½	-½	Sun Alliance	299	£10⅛	+⅛
Granada	571	351	-2	TSB	4,500	92½xd	+1½
Grand Met	660	592½	-1½	Tarmac	3,100	342	+16
GUS "A"	497	£14⅞	+⅛	Tesco	921	192	-1
Guardian R.E.	277	£11⅛	+⅛	Thorn EMI	1,300	778xd	-7½
GKN	1,300	383	+4	Trafalgar House	595	419	+2
Guinness	2,200	367	—	T'house Forte	1,700	277	+2
Hammerson	375	650	+7	Unigate	2,200	425	+15
Hanson Trust	10,000	187½	+5	Unilever	826	683	+4
Hawker Sidd	1,750	600	+2	United Biscuits	684	328	+1
Hillsdown Hldgs	2,900	321	+2	Wellcome	496	456	—
ICI	2,100	£15⅛	—	Whitbread "A"	124	372	-3
				Woolworth	2,100	428	+16

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	91	18	3
Corporations, Dominion and Foreign Bonds	18	2	39
Industrials	852	230	480
Financial and Properties	290	86	223
Oils	50	18	46
Plantations	5	0	9
Mines	43	44	103
Others	99	57	102
Totals	1,448	455	1,005

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon July 13 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri July 10 Index No.	Thurs July 9 Index No.	Weds July 8 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	1018.29	+0.8	6.76	2.68	18.50	11.21	1009.96	1000.90	994.72	722.05
2 Building Materials (29)	1359.02	+1.2	6.54	2.53	19.04	15.55	1342.47	1324.32	1319.45	817.92
3 Contracting, Construction (33)	1901.15	+1.2	6.31	2.52	21.28	19.38	1879.43	1852.54	1842.06	1257.26
4 Electricals (13)	2686.92	+0.5	5.65	2.96	22.77	36.50	2674.41	2670.24	2637.00	1869.85
5 Electronics (35)	2140.96	+0.2	7.08	2.29	18.08	15.26	2136.04	2143.26	2131.81	1604.95
6 Mechanical Engineering (60)	533.98	+0.4	7.56	3.17	16.60	7.80	531.89	529.39	525.28	405.05
8 Metals and Metal Forming (7)	576.27	+0.6	6.80	2.73	17.73	6.86	572.92	567.29	562.47	350.38
9 Motors (14)	391.46	+0.9	7.81	2.72	14.89	3.42	387.80	382.30	378.62	305.97
10 Other Industrial Materials (21)	1701.03	+1.5	5.81	2.86	20.76	22.53	1676.21	1641.03	1631.20	1298.55
21 CONSUMER GROUP (185)	1376.80	+0.4	5.75	2.46	22.33	14.33	1370.67	1362.01	1358.94	916.21
22 Brewers and Distillers (22)	1259.46	-0.2	7.45	2.83	16.89	11.77	1261.92	1245.50	1231.37	927.03
25 Food Manufacturing (24)	1058.09	+0.8	6.65	2.89	19.54	15.12	1050.10	1049.01	1058.99	685.97
26 Food Retailing (16)	2599.04	-0.6	5.01	2.23	27.20	21.16	2614.11	2560.33	2552.76	1836.34
27 Health and Household Goods (10)	2581.27	-0.3	3.91	1.55	29.93	15.11	2588.99	2582.75	2592.14	1543.37
29 Leisure (31)	1454.02	+0.5	5.68	2.99	22.78	20.36	1446.36	1446.63	1428.86	895.94
31 Packaging & Paper (15)	728.68	+1.4	5.61	2.37	23.59	7.88	718.65	719.89	719.79	488.55
32 Publishing & Printing (15)	4461.53	-0.7	4.72	3.07	27.25	59.63	4494.05	4494.11	4514.00	2576.37
34 Stores (36)	1153.11	+1.5	6.18	2.48	21.97	12.81	1136.27	1127.97	1122.91	865.23
35 Textiles (16)	853.15	+3.8	7.29	2.63	15.91	11.71	821.89	818.23	822.02	546.76
40 OTHER GROUPS (86)	1160.45	+0.5	7.43	3.01	16.80	11.06	1154.45	1147.80	1143.02	773.72
41 Agencies (16)	1730.33	+0.7	3.95	1.41	33.40	9.76	1718.97	1702.09	1705.52	0.0
42 Chemicals (22)	1452.51	+0.3	6.77	3.03	18.11	19.79	1448.25	1441.16	1440.85	922.78
43 Conglomerates (12)	1510.11	+1.9	6.94	3.03	16.51	18.93	1481.63	1448.93	1435.36	0.0
45 Shipping and Transport (11)	2434.15	-0.3	6.28	3.30	21.01	37.76	2442.07	2418.09	2407.29	1486.89
47 Telephone Networks (2)	1118.05	+0.1	9.00	3.62	14.83	2.95	1116.48	1123.83	1121.62	805.31
48 Miscellaneous (23)	1667.29	+0.3	8.44	2.68	14.19	18.61	1662.50	1653.52	1637.62	1066.94
49 INDUSTRIAL GROUP (483)	1240.92	+0.6	6.46	2.66	19.56	12.80	1233.96	1225.50	1220.87	840.04
51 Oil & Gas (17)	2425.80	-0.9	4.51	3.81	28.70	37.29	2448.23	2450.17	2426.89	1176.78
59 500 SHARE INDEX (500)	1341.54	+0.3	6.16	2.84	20.57	14.94	1337.08	1329.51	1323.30	870.33
61 FINANCIAL GROUP (118)	855.03	+0.7	—	3.45	—	13.48	848.83	843.27	833.06	611.96
62 Banks (8)	853.67	+0.5	16.23	4.39	8.15	16.24	849.45	841.53	836.76	654.43
65 Insurance (Life) (9)	1160.45	-0.1	—	3.63	—	20.71	1161.86	1183.35	1179.21	885.47
66 Insurance (Composite) (7)	642.64	+1.5	—	3.81	—	11.76	633.30	631.62	623.40	488.71
67 Insurance (Brokers) (9)	1338.22	+1.2	8.04	4.04	16.03	26.32	1321.83	1295.35	1290.23	1162.87
68 Merchant Banks (11)	492.05	+2.2	—	2.75	—	6.88	481.48	463.62	429.35	349.64
69 Property (46)	1332.92	+0.7	3.57	2.22	36.23	12.06	1323.90	1313.25	1301.71	802.65
70 Other Financial (28)	577.34	+0.4	5.77	2.81	21.82	7.17	575.19	570.27	562.59	343.55
71 Investment Trusts (91)	1138.02	-0.1	—	2.11	—	11.12	1139.38	1126.14	1113.49	759.55
81 Mining Finance (2)	581.39	-0.3	5.82	2.86	19.73	6.79	583.22	583.91	559.01	262.05
91 Overseas Traders (10)	1163.61	+0.8	7.78	4.04	15.25	23.27	1154.30	1150.70	1145.18	678.81
99 ALL-SHARE INDEX (721)	1210.66	+0.4	—	2.92	—	14.37	1206.18	1199.06	1191.17	794.28

	Index No.	Day's Change	Day's High	Day's Low	July 10	July 9	July 8	July 7	July 6	Year ago
FT-SE 100 SHARE INDEX ‡	2386.6	+4.6	2402.8	2386.6	2382.0	2371.0	2356.9	2365.4	2351.9	1597.3

FIXED INTEREST

PRICE INDICES	Mon July 13	Day's change %	Fri July 10	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	123.52	+0.10	123.39	—	6.20
2 5-15 years	143.15	+0.15	142.93	—	7.31
3 Over 15 years	153.44	+0.20	153.12	—	6.85
4 Irredeemables	167.85	+0.38	166.42	—	7.27
5 All stocks	139.46	+0.15	139.25	—	6.90
Index-Linked					
6 5 years	122.29	+0.09	122.17	—	1.57
7 Over 5 years	115.62	-0.07	115.71	—	1.86
8 All stocks	116.00	-0.06	116.07	—	1.82
9 Debentures & Loans	123.29	+0.17	123.13	0.05	6.17
10 Preference	89.34	+0.24	89.34	0.22	3.49

AVERAGE GROSS REDEMPTION YIELDS	Mon July 13	Fri July 10	Year ago (approx.)
British Government			
1 Low Coupons 5 years	8.20	8.19	8.19
2 15 years	8.94	8.96	9.26
3 25 years	8.95	8.97	9.30
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflat'n rate 5% 5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5% Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10% 5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10% Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 15 years	[illegible]	[illegible]	[illegible]
17 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

‡Opening index 2387.6; 10 am 2389.4; 11 am 2397.2; Noon 2398.6; 1 pm 2396.5; 2 pm 2395.9; 3 pm 2394.2; 3.30 pm 2394.0; 4 pm 2391.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 13. Total Contracts 50,984. Calls 36,249. Puts 14,735

FT-SE Index Calls 1205. Puts 1577.

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued)

[illegible]

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG

[illegible]

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

[illegible]

FINLAND | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

[illegible]

FRANCE | NORWAY

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices July 13

[illegible]

MONTREAL

Closing prices July 13

[illegible]

Total Sales 5,914,891 shares

Indices

NEW YORK-DOW JONES

	July 13	July 10	July 9	July 8	July 7	July 6	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,452.97	2,455.99	2,451.21	2,483.87	2,449.78	2,429.53	2463.87 (8/7/87)	1927.31 (2/1)	2463.87 (8/7/87)	41.22 (2/7/32)
Transport	1,040.31	1,035.56	1,031.81	1,032.93	1,038.18	1,021.73	1038.25 (25/6/87)	816.38 (2/1)	1038.25 (25/6/87)	12.32 (8/7/32)
Utilities	205.15	208.36	205.84	208.24	205.49	204.97	227.83 (22/1/87)	191.39 (20/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	-	—	198.108m	208.095m	201.474m	155.01 m	—	—	—	—

	June 26	June 19	June 12	Year Ago (Approx)
Ind Div Yield %	2.82	2.81	2.83	3.58

STANDARD AND POORS

	July 13	July 10	July 9	July 8	July 7	July 6	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	357.88	358.82	358.82	359.75	368.21	354.92	358.82 (10/7/87)	274.58 (2/1/87)	358.31 (25/6/87)	3.62 (21/6/32)
Composite	307.63	308.37	308.37	308.29	307.40	304.92	309.65 (22/6/87)	248.45 (2/1/87)	309.65 (22/6/87)	4.40 (1/6/32)

	July 9	July 2	June 24	Year Ago (Approx)
Ind div yield %	2.84	2.40	2.49	3.80
Ind. P/E Ratio	28.42	23.28	23.46	17.82
Long Gov Bond Yield	8.45	8.08	8.40	7.91

N.Y.S.E. ALL COMMON

July 13	July 10	July 9	July 8	1987 High	1987 Low
173.10	173.57	173.15	173.42	178.77 (22/6)	141.81 (21/1)

RISES AND FALLS

	July 9	July 8	July 7
Issues traded	1,980	1,962	1,985
Rises	822	814	1,060
Falls	741	718	521
Unchanged	417	430	404

TORONTO	July 13	July 10	July 9	July 8	1987 High	1987 Low
Metals & Minls	3,111.1	3,092.1	3,105.2	3,085.7	3,106.49(7/7/87)	1,988.2 (2/1/86)
Composite	3,925.5	3,925.1	3,932.5	3,958.8	3,968.9 (8/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,891.34	1,893.46	1,892.55	1,897.41	1,897.41(8/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	July 13	July 10	July 9	July 8	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1930.7	1915.3	1898.6	1883.5	1930.7 (13/7)	1486.7 (2/2)
Metals & Min'ls (1/1/80)	1202.4	1193.6	1184.6	1165.6	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	187.54	185.87	185.01	184.99	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	5016.90	5034.29	5050.76	5034.70	5050.76 (9/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	205.50	205.74	204.76	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	576.0	580.3	584.6	584.3	584.6 (9/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	(c)	(u)	420.30	421.80	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	(c)	106.80	105.80	107.40	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	627.66	624.23	623.41	626.71	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1900.90	1893.4	1888.90	1903.70	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3216.11	3207.21	3225.97	3251.38	3251.38 (8/7)	2449.88 (30/1)
ITALY						
Banca Com. Ital (1972)	671.82	677.76	674.31	674.39	767.34 (30/4)	671.82 (13/7)
JAPAN **						
Nikkei (16/5/49)	24118.01	24102.99	23755.90	23472.42	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2020.50	2017.74	1983.34	1961.03	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	313.60	311.20	311.60	313.60	313.60 (7/7)	257.7 (28/1)
ANP CBS Indust. (1970)	263.20	262.00	263.20	265.60	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	446.45	445.24	445.27	443.61	446.45 (13/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1378.90	1371.21	1348.52	1333.44	1378.91 (13/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2163.0	2144.0	2077.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2008.0	2000.6	1969.0	2008.0 (13/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	258.20	256.70	257.78	254.55	258.20 (13/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2830.30	2811.10	2808.50	2781.80	2830.30 (13/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp.(31/12/58)	630.00	629.8	626.0	622.1	630.00 (13/7)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	459.0	456.4	453.9	480.30 (12/6)	361.3 (2/1)

**Saturday July 4: Nikkei Index: 24,102.99.

Base values of all Indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day	Friday	Stocks traded	Closing price	Change on day
CenteriorEng	8,118,000	17¼	-⅛	MCA	2,809,000	52⅞	+4⅞
Banctexas	6,825,000	⅛	-1/64	Phil Vn Hev	2,192,800	29⅞	+5⅛
ATT	5,498,500	29⅝	+⅛	Gillette	2,000,700	41⅞	+1⅞
Puget Sou	2,871,400	20	+¼	Banctex (w.i.)	1,746,300	⅛	(—)
Banco Central	2,868,100	19¼	+¼	Navistar	1,654,100	7⅞	+¼

LONDON — Most Active Stocks
Monday, July 13, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	17.88m	163	+ ½	ASDA-MFI	9.48m	219½	− 1½
Brit Airways	13.08m	163	− 8	BP	8.20m	481	− 7
Sears	12.85m	180½	+ 6	BTR	6.78m	354	+ 10
Gen Elect	11.80m	231	+ 4	Brit Telecom	5.80m	286	+ ½
Hanson Trust	10.90m	187½	+ 5	Boots	4.88m	318	+ 8

TOKYO — Most Active Stocks
Monday, July 13, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	96.82m	333	+18	Jaces	11.28m	825	+61
Nisshin Steel	77.27m	464	+27	Teikoku Oil	10.87m	1,038	+10
Kawasaki Steel	29.14m	258	+12	Nippon Kokan	8.25m	279	+ 7
Tokuyama Soda	14.63m	848	+17	Yamato Kogyo	8.24m	1,150	+30
Ishikawajima-Harima	11.95m	668	+12	Mitsubishi Heavy Ind.	7.38m	588	+18

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 43

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

BTR 354 + 10
Cape Inds 161 + 14
Control Sec 74 + 5
Courtaulds 521 + 21½
Fairbriar 320 + 29
Floyd Oil 81 + 14
Ford (Martin) 223 + 29
Goal Petroleum 113½ + 10
Goode Durrant 270 + 19
Heath (CE) 513 + 25
Hogg Robinson 577 + 37
Holt Lloyd 184 + 26
Howard Shuttebing 140 + 7
KCA Drilling 37 + 14
Imcas Inds 786 + 15
Mercury Intl. 524xd + 21
Morgan Grenfell 480 + 30
Pearl 399 + 12
RMC 543 + 18
Rank Organisation 821 + 20
Sears 180½ + 6
Stanley (AG) 169 + 18
Tarmac 342 + 16
Tricentrol 136½ + 8
Trimoco 70 + 8
Unigate 415 + 15

FALLS:

Mercantile House 436 − 54

N. AMERICAN QUARTERLY RESULTS

CENTRAL BANCORP
Banking

Second quarter	1987 $	1986 $
Net income	13.2m	12m
Net per share	0.89	0.81
Six months		
Net income	27.6m	23m
Net per share	1.86	1.55

CPC INTERNATIONAL
Grocery products, milling

Second quarter	1987 $	1986 $
Revenues	1.32bn	1.13bn
Net income	*175.7m	48.7m
Net per share	*2.14	0.50
Six months		
Revenues	2.51bn	2.19bn
Net income	*218.5m	86.7m
Net per share	*2.66	0.89

* Includes $126m gain from restructuring programme.

DOW JONES
Newspaper publishing

Second quarter	1987 $	1986 $
Revenues	313m	285.3m
Net income	49.1m	41.9m
Net per share	0.51	0.43
Six months		
Revenues	598.6m	544.9m
Net income	*115.8m	72.4m
Nte per share	*1.20	0.75

* Includes $29.4m gain

FIRST BANK SYSTEM
Banking

Second quarter	1987 $	1986 $
Assets	28.8bn	26.7bn
Net income	*104.6m	49.5m
Net per share	*1.81	0.84
Six months		
Net income	*47.2m	96.1m
Net per share	*0.86	1.64

* Loss reflects $150m provision against Third World loans.

MGM/UA COMMUNICATIONS
Movies

Third quarter	1987 $	1986 $
Revenues	72.4m	64.4m
Net income	*27.5m	3.84m
Net per share	*0.55	0.07
Nine months		
Revenues	309.6m	244m
Net income	*41.9m	15.5m
Net per share	*0.83	0.29

* Loss.

MIDATLANTIC
Banking

Second quarter	1987 $	1986 $
Assets	16.8bn	16.8bn
Net income	28.8m	40.1m
Net per share	0.77	1.08
Six months		
Net income	73.8m	79.3m
Net per share	1.95	2.10

NORTHERN TRUST
Banking

Second quarter	1987 $	1986 $
Assets	8.08bn	7.67bn
Net income	*82.9m	12m
Net per share	*4.31	0.75
Six months		
Net income	*51m	22.4m
Net per share	*3.42	1.48

* Loss reflects $85m addition to loan loss reserve.

SOUTHEAST BANKING
Banking

Second quarter	1987 $	1986 $
Assets	12.2bn	10.7bn
Net income	*43.7m	21.2m
Net per share	*1.57	0.71
Six months		
Net income	*19.1m	40.8m
Net per share	*0.78	1.39

* Loss.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR	s	.50	1.6	22	300	34	32¼	32¼	−1¼
37	21⅞	ADT		.92	2.9	18	207	32	31⅝	32	+½
27¾	16¾	AFG	s	.16	.6	12	890	27¼	26¼	27⅛	+¾
22⅞	8⅜	AGS	s			16	806	16½	15¼	15⅝	−1
11¾	6¾	AMCA					41	9	8½	9	+⅝
9⅜	4⅞	AM	Intl				989	7¼	6⅞	7	−⅛
62⅞	47¼	AMR				13	6274	60⅜	59⅞	60⅜	+2
25	21⅞	ANR	pf	2.12	9.2		4	23	23	23	
11¾	8	ARX	s			12	54	10⅜	10¼	10¼	
73½	29⅝	ASA		2a	3.3		564	62	61	61	
20	9¾	AVX			1.9	84	1234	17⅛	16½	16¾	−¼
67	41	AbtLab		1	1.6	24	3413	61¾	60⅛	60⅞	−1⅛
26	25⅝	Abitibi g					27	26	c25½	25⅝	−⅜
28¾	16⅝	AccoWs		.44	1.5	26	1782	28⅝	28½	28½	−⅛
15⅛	9	AcmeC		.40	2.8	10	125	14⅜	14	14⅛	−½
23⅞	19	AdaEx		3.42e	15.		125	22⅜	22	22⅛	
19½	11⅜	AdmM	s	.24	1.6	11	204	15½	15¼	15¼	−¼
25⅛	12⅛	AdvSys		.62t	2.7	16	59	22⅞	22⅜	22¾	
24½	12⅞	AMD					5321	18⅞	18	18½	+¼
54¾	47	AMD	pf	3	6.3		335	48	47½	48	−¼
10¾	5¼	Adobe					143	10	9⅞	10	
20½	13¾	Adob	pf	1.84	9.5		11	19⅝	19⅜	19⅜	
21⅞	16⅜	Adob	pf	2.40	11.		4	21⅝	21⅝	21⅝	+⅛
15⅝	10⅜	Advest		.12a	1.0	9	197	12¾	12½	12⅝	+¼
68½	53	AetnLf		2.76	4.7	9	1613	59⅛	58⅝	59	+⅜
64½	26½	AhPb	s	.32	.5	32	283	62	61½	61⅞	−⅜
28⅜	18⅝	Ahmans		.88	4.2	6	4533	21⅛	20¾	21⅛	+¼
5⅜	2⅞	Aileen					51	4	3⅞	3⅞	
50¼	29⅛	AirPrd		1	2.1	270	1511	49	48½	48⅝	−⅜
36	18	AirbFrt		.60	2.1	11	673	29½	29	29¼	
15	7⅝	Airgas	n			23	38	14	13½	13¾	−⅛

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	12⅜	PhE	pfR1.41	11.		6	12⅝	12½	12½	−⅛
13¼	11⅜	PhE	pfP1.33	11.		23	12	11⅞	11⅞	−⅛
12⅞	11	PhE	pfO1.28	11.		93	11⅝	11⅝	11⅝	
124	110	PhE	pfM15.25	13.		z50	113	113	113	
105	91	PhE	pfL9.52	10.		z40	92¾	92¾	92¾	+1
88	72½	PhE	pfJ7.80	10.		z200	75½	75½	75½	−1½
19¼	14⅝	PhilSb	s .94	5.9	13	49	16	16	16	+⅛
93⅛	63	PhilMr	3	3.3	14	6342	92⅜	91¼	92	−⅛
22½	13	Philpl	s .36	1.8	17	185	20¼	19⅝	19¾	−¼
25⅞	18⅝	PhilGl	.80e	3.1	12	1350	u26¼	25⅝	26	+⅜
18¾	8¼	PhilPet	.60	3.4	50	6237	18	17⅝	17⅝	
24¾	19¼	PhlPt	pf1.75e	7.2		5	24⅜	24⅜	24⅜	
25¼	15⅝	PhlVH	s .28	1.1	19	9775	u25¼	25	25⅛	+¼
13½	5⅛	Phlcrp	n			227	6¾	6	6¾	+⅛
71	38⅝	PiedAv	.32	.5	17	103	69¼	68⅞	69¼	+⅞
24¾	17⅝	PiedNGt	.32	5.8	11	78	22¾	22½	22⅝	−⅜
14⅝	6¾	Pier 1			31	225	13¾	13⅝	13¾	
10⅝	7¼	PilgRg	.26e	3.3		212	8⅛	7⅞	7⅞	
15⅝	8⅝	PilgPr	n.02e	.2	9	124	8⅝	8⅝	8⅝	−⅛
46⅛	32⅜	Pilsby	s 1	2.3	21	1492	43¾	43	43½	−½
32¾	27½	PinWst	2.80	8.8	10	694	32	31½	32	
42½	21⅞	PionrEl	.13e	.3	91	31	37½	37½	37½	−½
46⅛	27⅜	PitnyB	s .76	1.8	19	1151	42	41¼	42	+¼
16½	10½	Pittstn			47	760	16⅛	15¾	16	−½
33¾	20¼	PlainsP	.05e	.2	73	12	31½	31¼	31¼	+¼
25¼	14¾	Planim	.16	.7	20	80	22⅜	22⅛	22⅜	
14¾	5⅞	Playboy				17	13½	13⅜	13⅜	
40¾	23½	Plessey	1e	2.7	16	27	37⅜	37⅜	37⅜	
8⅝	4¼	PogoPd				64	7¾	7⅝	7¾	+⅛
42¾	27⅜	Polard	s .60	1.8	19	5297	33¾	32⅝	33½	−⅜
24½	8⅞	PopTals			11	168	21	20½	20¾	−¼
19¾	11⅛	Portec				6	12½	12½	12½	
36¾	22¾	PortGC	1.86	7.6	13	351	25¾	25¾	25¾	+¼
29⅝	27¼	PorG	pf2.60	9.4		5	27¾	27⅝	27⅝	−½
41⅞	24¼	Potlch	s.84	2.7	12	286	31¼	31	31⅛	−⅛
28⅝	21¼	PotmE	s1.30	5.8	11	2479	22⅝	21¾	22⅜	−⅛
28½	17½	Premk	n .32	1.2		237	27⅞	27½	27⅝	−¼
40½	25¼	Premin	.44	1.1	25	22	39	38¾	38¾	−⅛
29⅝	23⅞	Primrk	1.30	5.0	10	137	26⅜	26	26⅛	−⅛
29½	15⅜	PrimeC			26	2274	27⅛	26¾	27	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38¼	23⅛	SealPwt	.10	3.0	15	308	37	[illegible]	37	[illegible]
55	39	Sears	2	4.0	13	6732	50½	50	50¼	
42½	32	SecPac	1.80	4.5	8	3711	40⅞	40	40⅛	−⅝
80	65	SequaA	15e	.2	14	36	73¼	73	73¼	+¼
82	68¼	SequaB	12e	.2	12	25	74¾	74⅝	74¾	
31⅞	19⅛	SvcCp	s .40	1.4	24	x1643	28¾	27½	28¾	+⅛
20⅝	9⅝	SvcRes			24	18	13⅞	13⅝	13¾	−⅛
32	21	Svcmstn	.85e	3.1	22	405	27⅞	27	27¼	−⅛
28	17½	ShalJee	.72	3.3	5	100	22	21¾	21⅞	+⅛
30¾	15¼	Shawin	.60	2.4	15	199	25¾	25¼	25½	+⅛
34⅛	26⅞	ShLeh	n.19e	.7		1188	27⅛	d26⅞	27⅛	+¼
22⅝	14¼	Shelby	.24	1.2	22	47	19½	19¼	19⅝	+⅛
96⅛	46¼	ShelT	3.79e	4.0	20	1368	96¾	95⅞	95⅞	−1⅛
38½	22¾	Shrwin	.56	1.6	15	1140	35	34⅝	35	+⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅛	6⅛	Shoetwn			14	373	8½	[illegible]	[illegible]	[illegible]
16⅝	7⅝	Showbt	s .28	2.0	29	31	13[illegible]	[illegible]	[illegible]	[illegible]
29	21	SierPac	1.76	7.1	13	193	24[illegible]	[illegible]	[illegible]	[illegible]
16¼	9¾	SgnlAps	.12	1.0	4	58	12[illegible]	[illegible]	[illegible]	[illegible]
36	29	Signet	1.32	3.8	10	64	34[illegible]	[illegible]	[illegible]	[illegible]
54⅝	37¼	Singer	.40b	1.0	9	1443	41[illegible]	[illegible]	[illegible]	[illegible]
42	36¾	Singr	pf3.50	9.0		13	38[illegible]	[illegible]	[illegible]	[illegible]
22	19⅝	Sizeler	n.25e	1.2		207	21[illegible]	[illegible]	[illegible]	[illegible]
18	12⅝	Skyline	.48	3.2	15	191	15[illegible]	[illegible]	[illegible]	[illegible]
29⅝	20⅜	Slattery			46	1	23[illegible]	[illegible]	[illegible]	[illegible]
10	2⅛	vjSmith				2234	u1[illegible]	[illegible]	[illegible]	[illegible]
65¼	39⅛	SmkB	s		17	1486	64[illegible]	[illegible]	[illegible]	[illegible]
52⅝	37½	Smuckr	.72	1.4	21	18	51[illegible]	[illegible]	[illegible]	[illegible]
44	25⅛	SnapOn	.76	1.8	24	1534	41[illegible]	[illegible]	[illegible]	[illegible]
13⅝	9½	Snyder	1.20	12.		248	10[illegible]	[illegible]	[illegible]	[illegible]
22¾	18⅝	Snydr	pf2.06	10.		34	20[illegible]	[illegible]	[illegible]	[illegible]
38½	21⅝	Sonat	2	5.5		481	36[illegible]	[illegible]	[illegible]	[illegible]
28⅝	18⅛	SonyCp	.23e	.9	32	421	26[illegible]	[illegible]	[illegible]	[illegible]
28⅞	18¾	SooLin				8	23[illegible]	[illegible]	[illegible]	[illegible]
45¾	40	SourcC	3.50	8.6		74	40[illegible]	[illegible]	[illegible]	[illegible]
27½	25	SrcCp	pf2.40	9.3		1	25[illegible]	[illegible]	[illegible]	[illegible]
22¾	17⅝	SJerIn	s1.28	6.3	15	98	20[illegible]	[illegible]	[illegible]	[illegible]
40¾	26¾	Soudwn	1b	2.5		22	40[illegible]	[illegible]	[illegible]	[illegible]
31⅝	24¾	SoetBk	.88	3.2	32	209	27[illegible]	[illegible]	[illegible]	[illegible]
38¾	28⅜	SCalEd	2.36	7.6	11	2095	31[illegible]	[illegible]	[illegible]	[illegible]
29	21¾	SouthCo	2.14	8.8	8	2408	24[illegible]	[illegible]	[illegible]	[illegible]
41¼	32⅞	SoIndGE	2	5.9	11	24	38[illegible]	[illegible]	[illegible]	[illegible]
61½	47	SNETl	2.88	5.5	11	458	52[illegible]	[illegible]	[illegible]	[illegible]
36⅝	31	SoRy	pf2.60	7.9		2	33[illegible]	[illegible]	[illegible]	[illegible]
15⅝	10¼	SoUnCo	.80	6.2		817	13[illegible]	[illegible]	[illegible]	[illegible]
80¾	44	Soutind	.28j		12	8873	79[illegible]	[illegible]	[illegible]	[illegible]
94	60	Soutld	pf 4	4.3		459	93[illegible]	[illegible]	[illegible]	[illegible]
11¼	8	Soumrk	.24e	2.6	8	730	9¼	[illegible]	[illegible]	[illegible]
46½	38⅛	Somk	pf4.62e	11.		28	41	[illegible]	[illegible]	[illegible]
30¼	25	Somk	pf2.31	8.6		9	27[illegible]	[illegible]	[illegible]	[illegible]
26⅛	18	SwAirl	.13	.6	17	763	20[illegible]	[illegible]	[illegible]	[illegible]
28⅝	17½	SwtGasL	.28	5.1	18	65	25[illegible]	[illegible]	[illegible]	[illegible]
40⅞	33⅛	SwBell	s2.32	6.3	11	8286	37[illegible]	[illegible]	[illegible]	[illegible]
28	17	SwEnr	.56	2.2	17	12	25[illegible]	[illegible]	[illegible]	[illegible]
37⅞	25⅝	SwtPS	2.12	7.6	13	459	28[illegible]	[illegible]	[illegible]	[illegible]
19⅝	14⅝	Sparton	.52	3.2	9	16	15[illegible]	[illegible]	[illegible]	[illegible]
13½	12	SpcEq	n			324	13[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44½	18	UCCEL			30	148	39¾	39⅝	39¾	+⅛
27⅞	17¼	UDC	s 2.20	11.	7	77	19¾	19½	19⅝	−⅛
32	24	UGI	2.04	7.2	13	41	28⅞	28⅝	28⅝	−⅜
11¼	8¼	UNCInc			15	381	10⅞	10	10⅛	−⅛
31⅝	20⅜	UNUM	n.30e	1.3		1794	24	23⅞	24	+⅛
21⅞	14⅝	URS			16	111	18¾	18¼	18⅜	−⅜
46¾	36¼	USFG	2.48	6.2	10	1782	40⅛	39⅝	40	
62	52½	USFG	pf4.10	7.7		155	53¾	53¼	53½	
46½	31	USG	1.12	3.3	8	3173	33¾	32½	33½	−⅛
29¼	20½	USLICO	s.88	3.5	9	835	26	24⅝	25	+⅜
48⅝	17⅝	USPCI	s		54	228	45½	44¼	44⅝	−⅞
29⅝	19⅞	UST	s 1.20	4.3	14	666	27⅝	27¼	27⅝	+⅛
36	14½	USX	1.20	3.3		9302	35⅞	35⅜	35⅞	+¼

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29¾	16⅛	Zemex				456	29⅝	29½	29¾	−⅛
13½	8	ZenLab				680	10⅛	9¾	9⅞	−⅛
19½	12⅝	Zero	.36	2.2	17	261	16½	16⅛	16⅜	
28½	16⅝	Zurnln	s		19	245	27⅞	27½	27¾	−⅛
10⅝	8¾	Zweig	n.86e	8.8		1825	9⅞	9⅝	9⅞	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WE REGRET that this listing is incomplete due to communication problems.

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

Investors take stock of lull in activity

WALL STREET

WITH the help of a late-session rally of technology stocks, Wall Street managed to pull back most of the losses it suffered earlier yesterday, *writes Roderick Oram in New York.*

Stocks rallied in the face of a weak bond market. Preoccupation with a raft of economic statistics later this week helped drive down prices by nearly a point in light trading.

The Dow Jones industrial average closed down 3.02 points at 2,452.97 after sinking nearly 20 points at its worst during the day. Broader market indices showed comparable losses with the Standard & Poor's 500 closing down 0.75 to 307.63 and the New York Stock Exchange composite index off 0.39 at 173.18.

NYSE volume was moderate at 152.8m shares with declining issues outnumbering those rising by a ratio of four-to-three. Some investors remained on the sideline out of concern for what Admiral John Poindexter might say in the Iran-Contra hearings today.

Strong technology stocks included IBM, up $2¾ to $169¾ on hopes it will report better than expected results today, while Apple Computer rose up $2½ at $40½ and NCR gained $1¾ to $75⅛ after showing sharp profit rises yesterday. Other good performers in the sector were Digital Equipment, ahead $4⅛ to $163⅝, Cray Research, $2¼ higher at $100, Texas Instruments, up $⅝ to $60¼, and 3M, ahead $1⅝ at $70¾.

The pace of second-quarter reports picked up with several banks turning in heavy losses from additions to Third World loan loss reserves and, in some cases, losses on bond trading. Chase Manhattan was off $⅛ to $40⅝ and First Chicago was unchanged at $30⅜.

In contrast, many industrial stocks were boosted by higher earnings. AFG Industries gained $¾ to $27⅛ and Dana added $½ to $47¼ while among companies reporting lower profits Whirlpool fell $½ to $35⅝ and Caterpillar Tractor rose $1⅛ to $59⅞.

Transco Energy, a natural gas pipeline company, fell $¼ to $39⅞ after halving its quarterly dividend to 34 cents a share.

CBS rose $2 to $181½. It agreed to a $650m management buyout of its magazine division.

Arthur D. Little, a research and management consulting firm, rose $11¾ to $46. It received a hostile takeover offer of $30 a share from Plenum Publishing of New York. About 70 per cent of Little's shares are held by an employee retirement fund.

Gillette fell $½ to $41⅞. Someone, possibly Mr Irwin Jacobs, the Minneapolis raider, has been accumulating the stock in recent weeks.

Grumman jumped $2⅝ to $29½. Analysts were sceptical about a newspaper report which said the aerospace group had put itself up for sale.

Low volume in the credit markets left a partial vacuum in which prices slipped steadily through the morning leaving the benchmark 8.75 per cent Treasury long bond off ⅛ of a point at 102½, yielding 8.54 per cent.

In contrast, Treasury-bill rates were little changed as they became more scarce. Expectations grow that the Treasury will be forced to curtail its auctions soon because of Congress's tardiness in increasing the federal Government's debt ceiling. The bond equivalent yield on three-month T-bills was unchanged at 5.75 per cent while the six-month and year bills were up three basis points at 5.74 and down one at 6.47 per cent respectively.

The Fed funds rate continued at the moderate level of 6¾ per cent. Analysts are divided over whether this is due to technical factors or a slight easing by the Federal Reserve of its monetary policy.

CANADA

TORONTO turned mixed in slow mid-session trading losing most of the early, moderate gains as a weaker Wall Street pulled the market lower.

Most major stock groups weakened slightly and issues listed on both Wall Street and Toronto nudged the market lower. Northern Telecom shed C$⅛ to C$30 and Seagram lost C$2⅜ to C$102.

Oil issues lost their early advances with Gulf Canada Resources easing C$⅛ to C$25⅝ and Shell Canada losing C$¼ to C$49.

Gold shares resisted the weaker trend

SOUTH AFRICA

GOLD STOCKS in Johannesburg rose as the bullion price firmed during the day amid renewed demand and after black miners voted to hold a nationwide strike from today, threatening to stop production at gold and coal mines.

Vaal Reefs gained R15 at R465 and Kloof was up 50 cents at R46.50. *Randfontein went against the trend* to end R15 lower at R410.

De Beers followed golds upwards, gaining 25 cents to R45.75. Anglo American was unchanged at R83.75.

Industrial shares were steady at high levels. Sasol was a strong feature, rising 15 cents to R13.15. Barlow Rand was 40 cents higher at R24.25 and South African Breweries added 25 cents to R20.50.

Australian market cheers Labor victory

THE LABOR Government's election victory won a warm welcome from Australian share markets yesterday, with buy orders coming in fast during early trading before late profit-taking brought prices off their highs, writes Our Markets Staff.

The All Ordinaries index finished 14.6 higher at a new peak of 1,930.7, while the All Industrials gained 16.9 to 2,803.3 and the gold index managed a 42.5 rise to 3,307.2 despite a fall in the bullion price.

However, a sharp 31.5-point drop in the September share index futures contract introduced a nervous note to the market in late trading, signalling an imminent downward correction to share prices following their recent record-breaking run. Yesterday's was the 46th peak reached this year.

Turnover remained high at 111.97m shares worth A$241.74m.

Typical of the day's movements was BHP, Australia's largest company, which climbed to A$10.20 and then fell back to end 5 cents higher on the day at A$10.15.

A number of industrials posted strong gains, with Adsteam up 20 cents at A$8.70 and Pacific Dunlop gaining 16 cents to A$5.20, a new high for the year. However, News Corp fell back 30 cents to A$20.20.

Robert Holmes à Court's Bell resources was up 4 cents at A$4.82 while Bell Group gained 10 cents to A$8.50. Mr Holmes à Court has increased his stakes in Texaco, the US oil company, and in Sears, one of Britain's biggest retailers.

Banking and financial stocks tended weaker, with Westpac down 2 cents to A$5.28 and ANZ off 5 cents at A$4.35.

FAI Insurances ended steady at A$8.40 after reaching A$8.70 on hopes it could profit from selling its stake in British merchant bank Hill Samuel if the Union Bank of Switzerland takeover bid succeeds.

Among golds, Whim Creek leaped A$1.20, or 11 per cent, to A$12, Sons of Gwalia climbed 30 cents to A$13.50 and Poseidon was up 24 cents at A$5.30. Other miners to gain were MIM, up 3 cents at A$2.75, and Western Mining, 4 cents higher at A$7.50.

EUROPE

Smaller bourses hit three records

IT WAS another day of records in Europe yesterday as Stockholm, Oslo and Madrid reached new peaks. Amsterdam also rallied to match its record of last week. Elsewhere, markets fluctuated narrowly in generally steady trading.

Stockholm advanced to its second consecutive record close buoyed by strong market liquidity. The Veckens Affarer all-share index bettered Friday's previous high by 6.9 to end at 1,039.6 in light trading.

The retail and investment company sectors performed best over the day.

Heavy engineering company Asea rose SKr 8 to Skr 378 on news that it had signed an agreement with two Norwegian concerns to cooperate in building co-generation power plants.

Other blue chips showed modest gains. Volvo added SKr 3 to SKr 330, Ericsson edged SKr 1 up to SKr 256 and Electrolux gained SKr 3 to SKr 297. Saab-Scania posted a SKr 5 gain to end at SKr 650.

Oslo set a record high of 341.64 on a 0.79 rise in the all-share index, regaining last week's upward momentum although turnover was down on last week's heavy levels.

A brief spate of profit-taking was well absorbed by the gains, with oil stocks posting the rises.

Saga Petroleum led the field, closing up NKr 3.50 at NKr 109. Norsk Hydro defied the trend, dropping NKr 1.50 to NKr 223.

Madrid registered a record high in moderate trading with a 1.50 rise in the general index to 258.20. The largest gains were in the more speculative issues which built on their rises of last week.

In electrical utilities, Telefonica ended down 2.75 percentage points at 202.25 per cent of nominal market value but Iberduero added 4 to 118.

Banks ended generally lower. Banestro was down 20 at 750, Hispano slipped 10 to 540 and Bilbao was unchanged at 430.

Amsterdam matched its records of last week with the ANP-CBS closing up 2.4 at its previous high of 313.60. Business was slack with most of the market attention on international stock.

With the exception of KLM which eased 40 cents to Fl 287.40, internationals were firmer. Akzo continued its rise, gaining Fl 4.50 to Fl 173.50 and Philips firmed Fl 1.10 to Fl 53.40.

Banks ended mixed with ABN unchanged at Fl 478 while Amro lost 30 cents to Fl 76 and NMB firmed Fl 1 to Fl 165.

Frankfurt ended a quiet session near the day's highs after good foreign demand helped push up prices during the afternoon. A stronger dollar and late buy orders for car, chemical and electrical stocks lifted prices across the board.

Daimler gained DM 6.50 to DM 1,127.50 with news that the board chairman plans to resign having little impact on trading. VW gained DM 4 to DM 422.50 and BMW added DM 6 to DM 700 in line with the upward trend.

In chemicals, Bayer added DM 5.30 to DM 337.80, Hoechst gained DM 5.50 to DM 309.80 and BASF was up DM 2.20 at DM 305.50.

The banking sector fared well with Deutsche adding DM 4 to DM 649, Dresdner gaining DM 2.50 to DM 333.50 and Commerzbank up DM 6 at DM 281.

Siemens posted a gain of DM 9.50 at DM 699.50 and AEG was steady at DM 309.50. Other electricals were *mixed, PKI firming DM 1 to DM* 851 and IWKA dropping DM 13.50 to DM 316.

Bonds recovered from their *morning lows to end slightly lower.* The Bundesbank bought DM 73.5m worth of paper after selling DM 22.7m on Friday.

Milan, ended a run of three upward sessions to close lower on widespread concern over domestic political developments. The Milan Stock Index closed 4.9 lower at 927 after a day of weak demand and thin trading.

Brussels ended lower in moderate trading as profit-taking set in after last week's rises. Foreign buying eased off, depressing activity.

Blue chip Petrofina slipped BFr 100 to end at BFr 12,200 and Sofina was down BFr 75 to BFr 150,025. Recently strong chemical issues were little changed but Gevaert dropped BFr 130 to BFr 7,750.

In holdings, Reserve, the stock of Société Générale, eased BFr 25 to BFr 4,145 and Cobepa slipped BFr 10 to BFr 6,190.

Zurich finished little changed in calm trading. The Crédit Suisse stock index closed 0.7 lower at 547.2 in selective profit-taking.

Union bearer eased SFr 5 to SFr 4,675 while registered stocks added SFr 20 to SFr 890 on news that the bank would settle for a smaller stake in merchant bank Hill Samuel of the UK.

Brown Boveri bearers were down SFr 45 to SFr 2,355 and registered shares ended unchanged at SFr 425. Fischer bearers slipped SFr 10 to SFr 1,600 and its registered shares were up SFr 5 to SFr 275.

Paris was closed for the long weekend holiday before Bastille Day today.

London breaks fresh ground

EQUITIES in London broke new ground again yesterday as the new two-week trading account got underway and the rapid advance of the past fortnight failed to deter investors.

The FT-SE 100 index climbed through the 2,400 level for the first time before falling back to close 4.6 higher at a record 2,386.6. The FT Ordinary index was up 9 at 1,877.8, also a new peak.

Speculative activity was again one of the main features of the day's trading. Retailer Sears attracted lively turnover of around 16m shares and closed 6p higher at 180½p following confirmation of recent rumours that Mr Robert Holmes à Court's Bell Group had acquired a stake of about 5.3 per cent.

Government bonds ended on a quietly firm note. A shade easier at first, long-dated issues began to move higher as domestic buyers responded to a slightly better trend in sterling. Details, Page 40

Dutch publishing war leaves imprint on shares

AS THE Amsterdam Stock Exchange rose yesterday to match its record high, the Dutch publishers moved against the trend and fell amid confusion in the hostile takeover battle surrounding Kluwer, *writes Laura Raun in Amsterdam.*

The ANP-CBS general stock index climbed 2.4 points to 313.6, the same level reached twice last week.

Kluwer itself slipped 7 cents to FL 420 from Friday's close on the news that Wolters Samson, its friendly suitor, would have to relaunch its public tender offer due to a deficient prospectus.

The bourse also warned Kluwer that it would have to scrap one of its defensive weapons being used to fend off Elsevier, its bigger rival.

Wolters Samsom held up better than the other two and lost less than 1 per cent to close at Fl 125.50 compared with Fl 126.50 despite being forced to begin again with its bid for Kluwer. There was speculation that Wolters Samsom might have been supported in the market by Kluwer or its banker.

Elsevier, the biggest of the three publishers, fell Fl 1.30 to close at Fl 56.80, even though its chances of winning Kluwer were apparently boosted by its rival's setback. Elsevier was the fourth most heavily traded stock with about 230,000 shares changing hands.

VNU, the Netherlands biggest publisher, actually edged up slightly, gaining 40 cents to Fl 89.

Setback for Kluwer takeover, Page 22

ASIA

Nikkei inches up in mood of uncertainty

TOKYO

TRADING remained thin and prices moved slightly in Tokyo yesterday with investors still uncertain over what direction the market will take, *writes Shigeo Nishiwaki of Jiji Press.*

Tokyo Electric Power, Tokyo Gas and large-capital stocks such as Nippon Steel gained, but financial issues stood still and high tech stocks eased.

The Nikkei average advanced 137 in the morning, but closed only 15.02 higher than Friday at 24,118.01. Volume came to 588m shares, down from 609m. Gains led losses 507 to 386, with 145 issues unchanged.

Analysts said many investors were hesitant to buy without a clearer indication of which stocks would be popoular in the future. The market lacked energy with institutional investors also taking time out.

The big four brokerage houses were still divided over whether high technology issues would lead the market, backed by a business recovery, or whether this role would be taken by large-capitalisation stocks, supported by monetary relaxation.

Big-capital issues drew heavy buying and Nippon Steel topped the active list with 96.63m shares, leaping Y18 to Y333. Nisshin Steel, which is expected to see an improved performance thanks to firmer stainless steel prices, came second with 77.27m shares and soared Y27 to Y464.

Kawasaki Steel added Y12 to Y256, Ishikawajima-Harima Heavy Industries also closed Y12 higher at Y668 and Mitsubishi Heavy Industries rose Y10 to Y588, all of them in the 10 most active stock list.

Tokyo Electric Power advanced Y190 to Y6,240. It momentarily slipped below Y6,000 on July 2, but the subsequent fast rally apparently caused investors to think that its downtrend had ceased. Tokyo Gas also gained Y40 to Y1,090.

However financials, which registered huge gains late last week despite the absence of factors encouraging buying, took a breather.

Major issues finished unchanged from Friday, with Fuji Bank remaining at Y3,090, Sumitomo Bank at Y3,810, Tokio Marine and Fire Insurance at Y2,220 and Mitsubishi Trust and Banking at Y4,160.

High-tech stocks sagged. Investors have begun to judge that the factors pushing them up, such as the business recovery and the yen's dip, have now been fully reflected in their prices.

Bond prices rose moderately despite slow trading as futures prices firmed on expectations of sustained monetary relaxation.

The yield on the 5.1 per cent government bond due in June 1996 opened at 4.285 per cent, down from 4.300 per cent, and kept falling to reach a low of 4.160 per cent. But it closed at 4.195 per cent in block trading on the Tokyo Stock Exchange and at around 4.190 per cent in inter-dealer trading.

THE SEOUL stock market edged down on profit-taking yesterday after climbing steadily to new peaks for the past nine sessions. The composite stock index lost 3.44 to 462.88 following its 12.93 jump on Saturday. However, turnover reached a record 128.5bn won. Constructions and insurers were worst hit but metals, shipping and chemistry stocks were up.

HONG KONG

COMMERCIAL and industrial shares posted good gains in Hong Kong helping to lift the Hang Seng index 8.90 to close at 3,216.11.

Market leaders Cheung Kong and Hutchison Whampoa, which had directed prices lower late last week, recovered somewhat on buying support and helped the market to stabilise. Cheung Kong was off just 10 cents amid bargain-hunting to close at HK$12.30 while Hutchison added 10 cents to end at HK$13.10.

Among property shares, Hang Lung Development added 40 cents at HK$14.90, Sun Hung Kai Properties rose 30 cents to HK$17.40 and New World Development gained 10 cents to HK$13. Hong Kong Land slipped 10 cents to HK$7.15.

Among financials, Bank of East Asia rose 40 cents to HK$26.90 but Hongkong and Shanghai Bank eased 5 cents to HK$9.30.

SINGAPORE

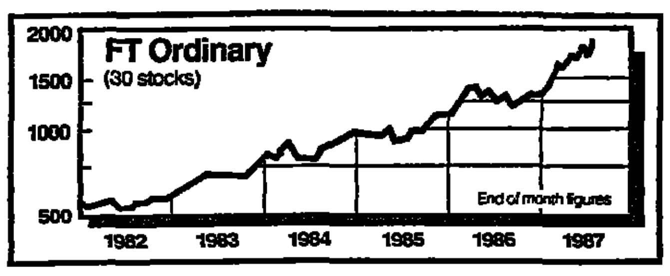
A DAY of good buying interest alternated with spates of profit-taking in Singapore and saw the Straits Times industrial index gain 7.7 to its eighth straight record high of 1,378.91.

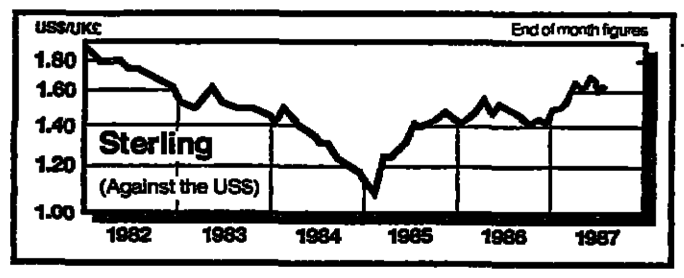
In lower turnover, several blue chips and quality stocks lost ground as foreign buyers slackened their interest of last week.

Fraser and Neave succumbed to profit-taking, losing 40 cents to S$12.50. Far East Levington slipped 6 cents to S$3.68, National Iron was down 10 cents at S$7.35 and Singapore Land was off 10 cents at S$8.90.

With the exception of DBS, banks were stronger

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 13	Prev	Year ago
NEW YORK			
DJ Industrials	2,452.97	2,455.99	1,821
DJ Transport	1,040.31	1,035.56	751.38
DJ Utilities	205.15	206.39	204.00
S&P Comp.	-	308.37	242.22
LONDON FT			
Ord	1,877.8	1,868.8	1,309.9
SE 100	2,386.6	2,382.0	1,626.4
A All-share	1,210.56	1,206.18	794.28
A 500	1,341.54	1,337.08	870.33
Gold mines	405.2	407.4	196.4
A Long gilt	9.11	9.14	9.45
World Act. Ind (July 10)	129.35	128.62	92.24
TOKYO			
Nikkei	24,118.01	24,102.99	17,670.8
Tokyo SE	2,020.50	2,017.74	1,375.15
AUSTRALIA			
All Ord.	1,930.7	1,915.3	1,139.9
Metals & Mins.	1,202.4	1,193.6	504.2
AUSTRIA			
Credit Aktien	187.54	185.87	259.44
BELGIAN SE	5,016.90	5,034.29	3,727.74
CANADA			
Toronto Met.& Mins.	3,111.1	3,092.1	2,006
Composite	3,925.5	3,925.1	3,024.0
Montreal Portfolio	1,991.34	1,993.46	1,515.84
DENMARK SE			
SE	205.50	205.74	210.01
FRANCE			
CAC Gen	closed	n/a	374.1
Ind. Tendance	closed	106.80	87.27
WEST GERMANY			
FAZ-Aktien	527.86	524.23	625.03
Commerzbank	1,900.90	1,893.40	1,884.5
HONG KONG Hang Seng	3,216.11	3,207.21	1,721.69
ITALY Banca Comm.	671.82	677.76	689.95
NETHERLANDS ANP CBS			
Gen	313.60	311.20	294.4
Ind	263.20	262.00	293.7
NORWAY Oslo SE	446.45	445.24	345.39
SINGAPORE Straits Times	1,378.90	1,371.21	732.01
SOUTH AFRICA JSE			
Golds	—	2,163.0	1,246.6
Industrials	—	2,008.0	1,192.8
SPAIN Madrid SE	258.20	256.70	174.09
SWEDEN J & P	2,830.30	2,811.10	2,498.01
SWITZERLAND Swiss Bank Ind	630.00	629.8	547.6

COMMODITIES (London)

	July 13	Prev
Silver (spot fixing)	468.20p	474.65p
Copper (cash)	£1,047.75	£1,056.50
Coffee (July)	£1,196.00	£1,203.00
Oil (Brent Blend)	$19.85	$19.75

GOLD ($/oz)

	July 13	Prev
London	$446.75	$446.50
Zürich	$447.55	$445.45
Paris (fixing)	$444.61	$445.27
Luxembourg	$443.50	$444.85
New York (August)	$449.00*	$446.00

CURRENCIES (London)

	US DOLLAR July 13	US DOLLAR Previous	STERLING July 13	STERLING Previous
£	-	-	1.6175	1.6140
DM	1.8425	1.8450	2.9800	2.9775
Yen	150.95	150.65	244.25	243.25
FFr	6.1325	6.1475	9.9200	9.9225
SFr	1.5360	1.5405	2.4850	2.4875
Fl	2.0745	2.0770	3.3550	3.3525
Lira	1,334	1,337	2,157.75	2,158
BFr	38.20	38.25	61.80	61.75
C$	1.3200	1.3215	2.1360	2.1335

INTEREST RATES

Euro-currencies (3-month offered rate)	July 13	Prev
£	[illegible]	[illegible]
SFr	3⅞	[illegible]
DM	[illegible]	3¾
FFr	8½	8½
FT London Interbank fixing (offered rate)		
3-month US$	[illegible]	7
6-month US$	[illegible]	[illegible]
US Fed Funds	6¾*	6¾
US3-month CDs	6.55*	6.625
US3-month T-bills	5.575*	5.79

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 13 (Sept)	91-21	92-02	91-16	92-09
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.19	94.21	94.17	94.20
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.85	92.90	92.84	92.83
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	124-00	124-02	123-10	123-20

US BONDS

Treasury	July 13 Price	July 13 Yield	Prev Price	Prev Yield
7⅞ 1989	[illegible]	7.338	[illegible]	7.33
7 1994	[illegible]	8.183	[illegible]	8.16
8½ 1997	[illegible]	8.374	101	8.34
8¾ 2017	[illegible]	8.539	[illegible]	8.50

Source: Harris Trust Savings Bank

Treasury Index July 13 Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	153.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate	July 13 Price	July 13 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.63	6.40	93.29	6.40
SCBT South Central 10⅞ Jan 1993	102.75	10.25	102.75	10.22
Phibro Sal 8 April 1996	91.59	9.40	93.14	9.30
TRW 8⅞ March 1996	96.41	9.37	96.76	9.30
Arco 9⅞ March 2016	102.17	9.65	101.56	9.60
General Motors 8⅝ April 2016	85.22	9.65	85.65	9.60
Citicorp 9⅞ March 2016	92.36	10.20	93.22	10.10

Source: Salomon Brothers

* Latest available figures

نقلا عن الأصل